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and BUSINESS ANALYST

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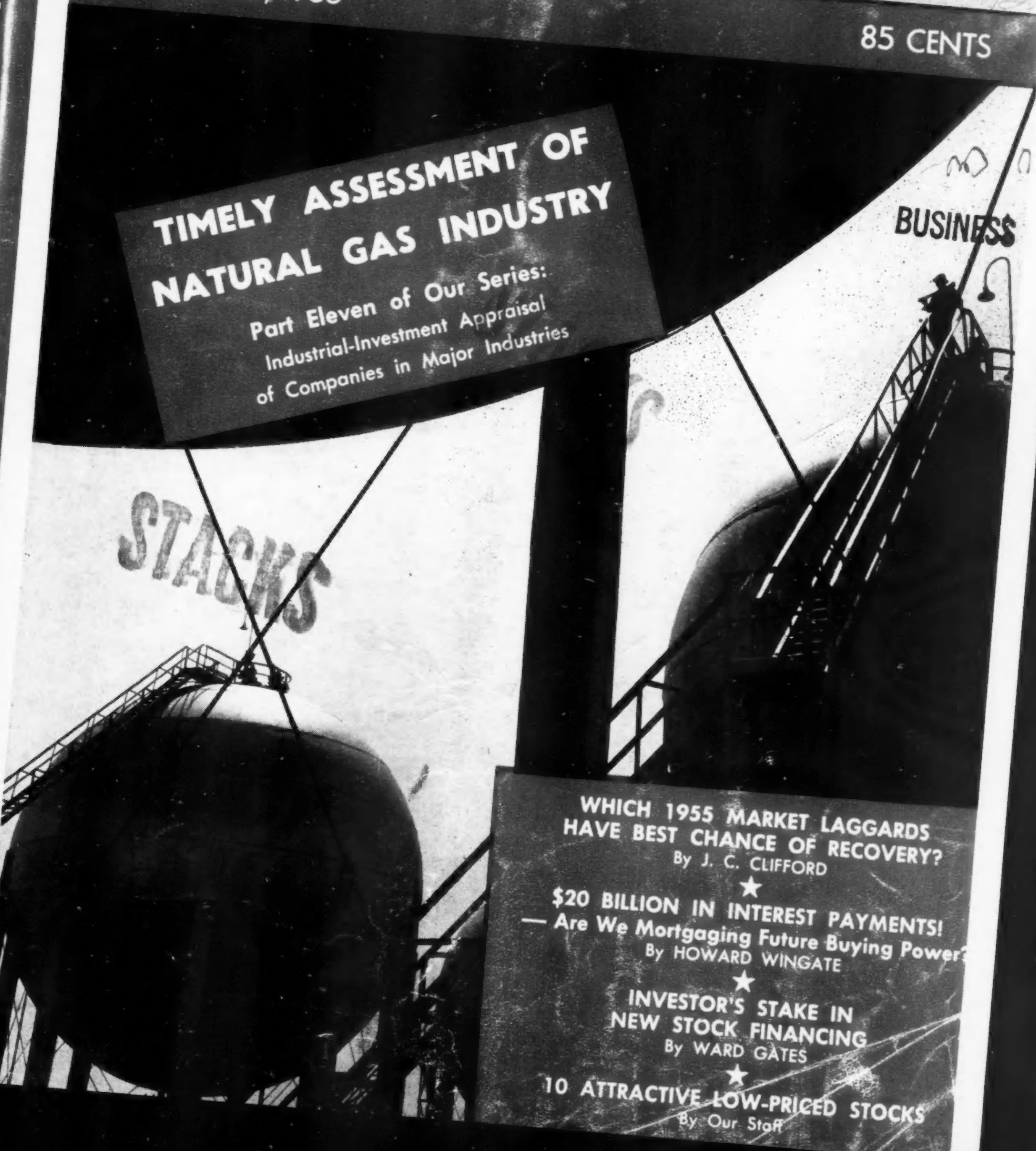

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Vol. 96, No. 7 June 25, 1955

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Chart. p. 418 "American Needs And Reason" 20th Century Fund

Cartoon p. 398, from New York Stock Exchange

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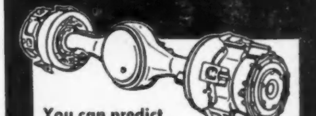

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(See chart on page 413 of this issue of The Magazine of Wall Street.)

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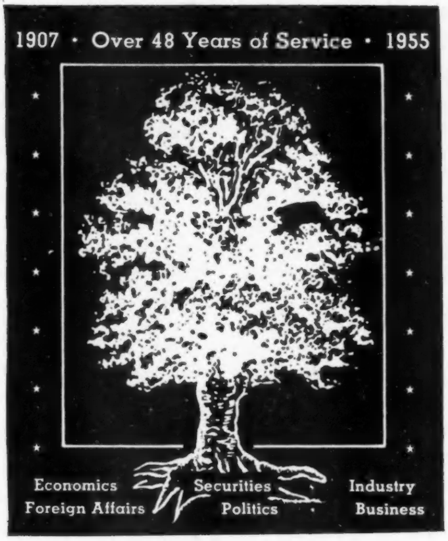
THE MAGAZINE OF WALL STREET

C. G. WYCKOFF, *Editor-Publisher* E. D. KING, *Managing Editor*



The Trend of Events

THE UNITED NATIONS — 10 YEARS LATER . . . Ten years ago in San Francisco, while the war against Japan was still raging across the Pacific, though Hitler's empire already lay in ruins, the United Nations was born, a symbol of men's hopes that an enduring peace, in which all nations would join, would finally come to pass. The years that have passed since that historic day, however, have not fulfilled the original expectations. While the ghosts of the facist nations were laid, a new and even more threatening menace rose in their place to block the road to peace, both in and out of the United Nations. Still, one should not assume that the organization has been a failure. It continues to be a valiant symbol ofmen's hopes that some day, no matter how distant, may be realized.

SHADES OF BOB TAFT . . . It must remain one of the great anomalies of our time that the basic features of the social and economic program developed by the New Deal and, later, by the Fair Deal have not only been retained but are even being enlarged under the present Republican Administration. This seems an untoward circumstance in view of the bitter hostility with which the Republican party, up to the time it won the Presidency in 1952, had chronically shown toward the social and economic innovations of the preceding Administrations.

As one views this extraordinary spectacle, quite unprecedented in American history, one inevitably must ask the question whether the present leadership of the Republican party has tacitly, though reluctantly, accepted the underlying philosophy of the "welfare state" or whether it is essentially a tactical political move with the voters in mind.

It is already clear that the President and those most closely associated with him have given no evidence whatsoever of desiring to reverse the main features of the novel Social program which their party had once opposed so strongly. Yet, it would not be accurate to suggest that any such radical change in views is shared by the entire party leadership. It is obvious that the conservative wing of the party stands firmly in opposition not only to an extension of the basic "welfare state" program but, indeed, wants to impose severe limitations on its present scope. Yet, because of the approaching national elections, conservative Republican leaders must necessarily keep silent with respect to their underlying opposition to the President's liberal domestic program, lest they split the party and thus reduce its chances for victory.

Apart from these political considerations, there is the undeniable fact that even under a Republican Administration expenditures for one form of social or economic assistance to various groups of the population continue to absorb an astonishingly large part of the Federal budget, now amounting to one out of every five dollars of expenditures. Broadly speaking, six groups of the population are important beneficiaries of the government's

We recommend to the attention of our readers the analytical discussion of business trends contained in our column "What's Ahead for Business?" This regular feature represents a valuable market analysis of importance to investors as well as to business men. To keep informed of the forces that may shape tomorrow's markets, don't miss it!

assistance program: agriculture, business, labor, veterans, home owners and tenants, and "miscellaneous". The total cost of these programs is $12,267,000,000, or almost 20% of the total Federal budget. In view of the demonstrable fact that the present Administration, which, in this respect, apparently has adopted the social program of its predecessors, has shown no indication of advocating a serious reduction in these enormous obligations, it would seem that the American people must be prepared to accept the permanent incorporation of this burden into the Federal budget. This in effect would mean that the "welfare state" is here to stay.

The long-range economic consequences of this development are not predictable at this time, but one aspect of the important transformation over the past 25 years in the relationship between the Federal government and the people is becoming more visible. That is the growing evidence that the public, at large, is by no means averse to accepting aid of one sort or another from the government. It should be manifest to our leaders, especially those of the Republican party, whose principles, in reality, are fundamentally hostile to those of the "welfare state", that this is a process that can only lead to more power to a centralized bureaucracy and a consequent, progressive weakening of the people's stamina.

INSTITUTIONAL INVESTMENT IN COMMON STOCKS . . . A recent analysis of endowment funds held by our higher institutions of learning shows that high-grade common stocks now approximate about half of their total portfolios, as against a much smaller percentage a decade ago. The rapid increase in equity holdings of such institutions, in comparison with other types of security investments, such as bonds and preferred stocks, should be considered proof that the conservative managers of these funds have the utmost confidence that well-chosen common stocks will prove as dependable a source of income in this new investment age as bonds proved in an earlier generation.

It is one of the more significant manifestations of the nature of the change in our investment markets in recent years, that superior quality common stocks should now occupy a position of increasing prominence in the portfolios, not only of educational institutions, but of great philanthropic foundations, in general, union pension funds and trusteed funds, not to speak of substantial private investors. There was a time, and not so long ago, that prudent managers of fiduciary funds concentrated mainly on bond investments as the only safe vehicle for assuring income. But their experience with the deadly effects of inflation on the purchasing power of bond income has convinced them that they could not continue to supply the requisite amount of revenue to the beneficiaries of the funds with which they were entrusted by maintaining too heavy a proportion of bonds.

They have, therefore, been turning in increasing numbers to common stocks as a logical vehicle of investment, not only to offset any losses from bond holdings which are still being held in order to provide ready cash, as needed, but as a means of increasing income, without at the same time materially increasing risk to the total portfolio. Since such stocks are acquired on a permanent or semi-permanent basis, they are necessarily chosen with the greatest care. It is significant that state authorities have recognized the need for this change in the character of trusteed investment by liberalizing the laws under which, previously, investment in common stocks by such fiduciary agents was, to all intents and purposes, severely limited.

TAKING ANOTHER LOOK AT MERGERS . . . The merger trend in industry and business has assumed such significant proportions in the past year that it is now engaging the active interest of Congress, the Justice Department and the Federal Trade Commission. In view of the vast amount of public misinformation on the subject, the recent study by the FTC has rendered an overdue service. Furthermore, it will serve as the basis for any legislation that may be required in order to eliminate some of the less desirable features of mergers.

However, an impartial study to which the FTC report is preliminary would probably reveal the fact that to a very great extent mergers and acquisitions in recent years were justified because of particular circumstances affecting the individual companies involved. In any case, these companies felt it incumbent, for reasons they believed to be sound, to take this step.

Basically, there are three main reasons for mergers and acquisitions. These are: (1) the need for additional capacity; (2) diversification of products; establishing new sources of supply; enlargement of sales volume to consumers; and (3) acquisition of capacity located in new and expanding markets. Supplementary reasons would involve such factors as: difficulties of smaller companies with respect to obtaining adequate financial resources for expansion and modernization; investment of surplus funds by companies desiring a profitable means of employing such funds and which are not needed in the company's own business; retirement of owners from business, and forced liquidation by trustees of estates; and tax considerations involving the establishing of losses against profits.

All the above cited reasons for mergers stem from normal business considerations and they cannot be legislated out of existence. Furthermore, allegations that spreading mergers increase the likelihood of growing monopoly cannot stand up, under serious analysis. However, there is an aspect of the current, hurrying merger trend which deserves investigation. For example, observers of market conditions are quite aware that mergers, in conspicuous instances, have been a potent stimulant to the price of the shares involved.

Where well-established concerns with a good reputation have promulgated merger negotiations, it may generally be presumed that both the buyer and the seller will be actuated by prudent business considerations and that the final terms agreed on will represent fair value for both sides. On the other hand, where mergers have been affected mainly for stock market considerations and outside financial interests accordingly find it to their advantage to promote these mergers either through stock "deals" or commissions, such activities may be open to criticism on the ground that they may favor the promoters rather than the companies themselves. Under these conditions, the interests of employes, customers and suppliers of material and goods to the companies may be sacrificed. Doubtless this is a phase of the merger problem that should be dealt with in the current investigation. —END

As I See It!

By JOHN CORDELLI

CAN EUROPE UNITE?

In the words of Jean Monnet, Europe has reached the hour of its choice. The author of the European Coal and Steel Community sees clearly that the free nations of Europe must lose no time in building a United States of Europe lest in time they fall victim, as they always have in the past, to their own weakness and instability. Yet Russia is also part of Europe. No matter how well devised the structure of a united Europe may be, unless Russia can be brought in to play its part, it must necessarily remain incomplete.

Yet, it would be a contradiction in terms to include communist Russia in the United States of Europe. What hope there is, therefore, for a United Europe must depend not only on Russia's abandoning her military and political ambitions but, even more important for the long run, on her voluntary relinquishment of her rigid, monolithic state system in favor of a more flexible democratic system.

Perhaps this universally longed-for change in the economic and social rigidity of Soviet Russia, which could mean so much to the future of the world, is not such an impossibility, after all. For all the world to see, there is mounting evidence that wide cracks are appearing in the Soviet structure. Her agriculture is chaotic, her light industry is limping, even her much vaunted heavy industry is highly unbalanced, as it tends more or less exclusively to military ends.

What of the gifted Russian people themselves? With their fantastically rich cultural heritage, does one presume to say that they will forever be content with the sterile product of their present day artists who labor in the vise of government control and who are not permitted to freely develop their creative powers? But Russian art today is justly ridiculed since it functions only as part of the party apparatus.

"How about a nice house on this firm foundation."

Fischetti, N. E. A. Service

Perhaps an even more conspicuous failure of the communist regime has been the basic inability of the government to persuade the people that laboring for the state is a greater boon than working for themselves. In the nearly 38 years that the communists have ruled Russia, they have never been able to destroy the yearning of the people for an opportunity to enjoy the fruits of their labor. The peasants of Russia still continue a thorn in the side of their rulers and, sooner or later, they will regain the freedom to dispose of their products of their toil. Until individual initiative is allowed to play its active part in Russia, she can never rise to her true potentials.

The fact of the matter is that the Kremlin has continued to violate every basic tenet of human psychology insofar as its treatment of its own people are concerned. Yet, the need for liberty and freedom which is true of all human beings expresses itself in countless ways, even in Russia. The people there are increasingly restive. Despite the Iron Curtain, they look with admiration on the accomplishments of the people in the United States and other free nations and, if given a chance, would seek nothing better than to emulate them.

None know this better than the masters of the Kremlin. Their increasingly conciliatory attitude, on the diplomatic level, is not only due to their awareness of the growing preponderance of strength of the free world but to their sharp intuition that their people themselves can no longer be deceived and that they must be granted, and soon, a much greater degree of freedom. Indications are that the same trend has started in the satellite countries. True, this may take some years to develop, but, as the need for exchanging goods and technological advances between East and West increases, (*Please turn to page* 438)

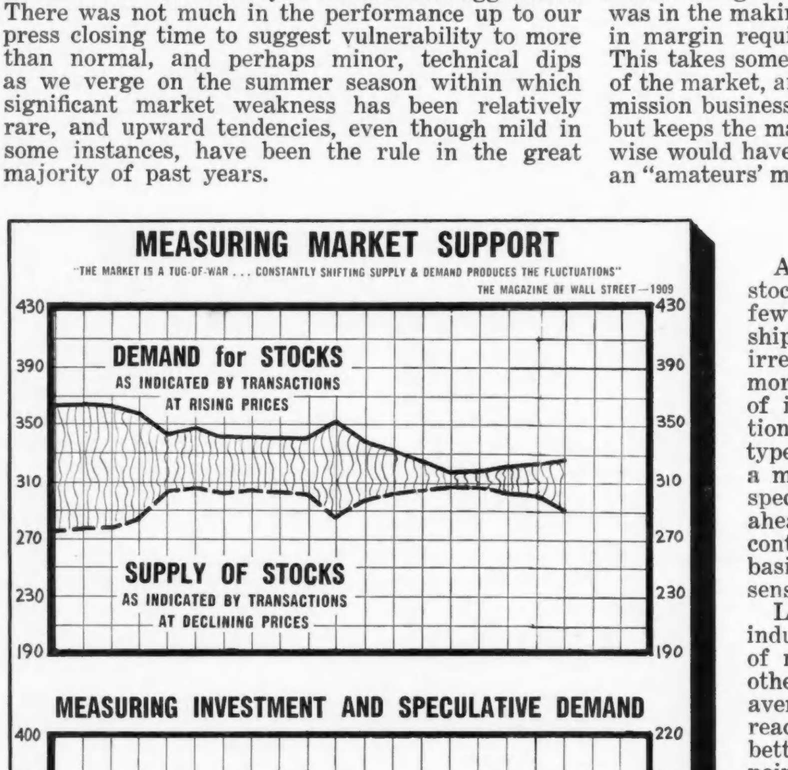
Market Becoming More Erratic

Selective upward tendencies in stock prices continue. Nearing the seasonally favorable summer period, significant market vulnerability is still not apparent. However, the bargain-counter level has been put far behind. Avoid over-speculation. Continue to emphasize quality and careful discrimination in your portfolio management.

By A. T. MILLER

In a continuing mixed market, the advance in average stock prices carried further over the past fortnight under industrial leadership. Trading volume expanded for a short time to the highest level seen since last March, but receded in the late sessions last week as buyers became less aggressive. There was not much in the performance up to our press closing time to suggest vulnerability to more than normal, and perhaps minor, technical dips as we verge on the summer season within which significant market weakness has been relatively rare, and upward tendencies, even though mild in some instances, have been the rule in the great majority of past years.

There is also nothing in the performance to suggest a likely resurgence any time soon of what could be called "public speculative fever". The latter, indicated in rising degree late last year and earlier in 1956, was cooled off by the Fulbright Committee's mere raising of the question whether "another 1929" was in the making; and by the two successive boosts in margin requirements to the present 70% level. This takes some newspaper-headline excitement out of the market, and makes the cream in broker's commission business a bit thinner than they would like, but keeps the market position sounder than it otherwise would have become. It is to that extent less of an "amateurs' market".



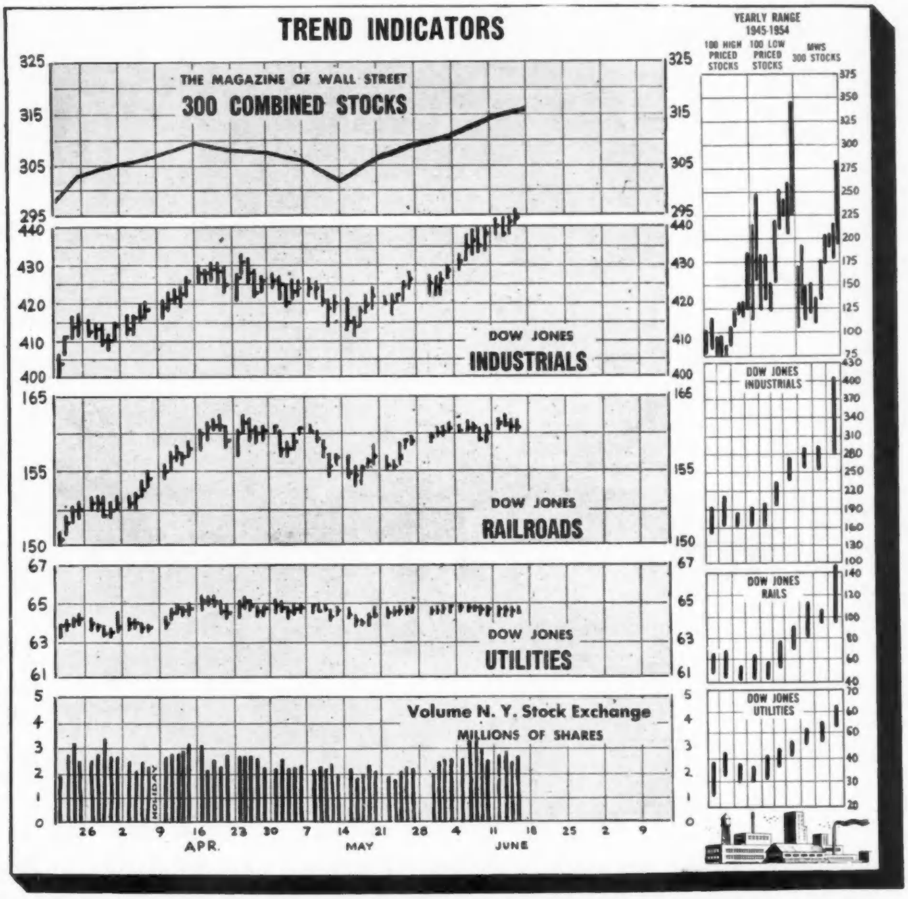
Industrials At New Peak

As usual, it remains "a market of stocks", some strong, some laggard, a few weak; a market of rotating leadership; a market subject to day-to-day irregularity and increasing evidence of more erratic behavior. A sizable number of individual stocks, including institutional-grade issues of growth or income type, prominent cyclical-type issues and a minority of favored special-situation speculative issues, continue to forge ahead to new highs. The "cats and dogs" continue generally to lag on a relative basis, as they should in a reasonably sensible market.

Last week's further rise took the Dow industrial average, and similar indexes of more prominent industrials, to another new all-time high, extending the average's upswing from the mid-May reaction low to more than 28 points and bettering the April high by about 12 points. When measured in percentage, the swings either way remain comparatively modest, as we have pointed out before. With the Dow average now around 444, requiring a 44-point move to equal 10%, that will necessarily remain true until the next bear market starts at a level, and under conditions, which no one can now foresee. The zigzag 1955 upward trend to date, featured by three sell-offs of intermediate type and three phases of advance, including the present one, has footed up to a net gain since the end of 1954 of about

38 points, or roughly 9.5%, for the Dow industrials; and some 15 points, or a little over 10%, for the rail average.

Despite improved traffic and earnings, recent performance of the rail average has been on the sluggish side, its swings smaller than those earlier in the year. Thus, after attaining a bull-market high April 28, the average receded 7.09 points to May 17, and subsequently rose 7.40 points to a June 13 new high, bettering the May high only fractionally. Rails levelled out through most of last week, with the average slightly under the June 13 peak. Meanwhile, there has been a shift of leadership within this section of the market, with many better-grade issues appreciably under earlier highs; and with some speculative issues extending previous gains, the latter including B&O, Central and Frisco.



Some utilities improved by a shade last week, reflecting a slightly firmer tone in the bond market and in the power industry's continuing favorable outlook. The average remains in a tight range, moderately under its bull-market high of last March. Money-market developments seem unlikely to affect the general stock list much, either for better or worse, as far ahead as we can see. Federal Reserve policy is more neutral than otherwise, but in effect is mildly restrictive in that open-market operations, while aimed at preventing deflationary credit stringency — but also at guarding against inflationary expansion of money supply — have permitted interest rates to harden moderately. We expect limited action, via open market operations or reduction in bank reserve requirements or both, sufficient to facilitate the Treasury's July new-money financing and to take care of autumn seasonal rise in credit needs. But in the absence of threat of more than seasonal third-quarter easing in industrial production, reversion to an easy-money policy aimed actively at business stimulation, is out of the picture; and is, of course, not needed under the circumstances.

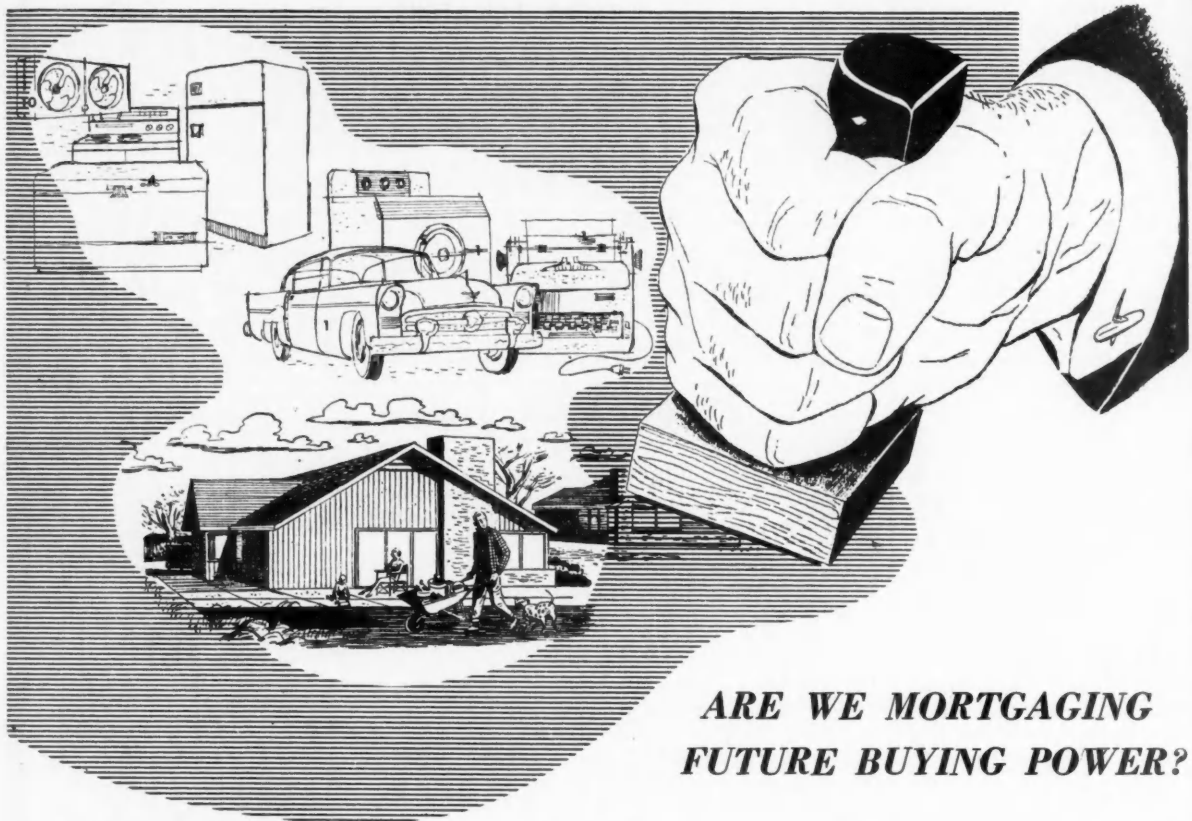
Regardless of third-quarter sag in production, particularly in the automobile and steel industries, and of the indicated flattening out of the housing boom, the stock market reflects a general raising of investment and business sights on the second-half prospect and on full-year results. There is now apparently widespread confidence in a strong fourth-quarter rebound.

With average current yield on Dow-average-type industrials now down to around 4%, the market is no great distance from excess on this count. The figure compares with 4.35% for the 30 Dow industrials at the 1946 bull-market high, 3.71% at the 1937 high and 3.31% at the 1929 market peak. The stock-bond-yield spread is roughly what it was at the 1946 high, but considerably more favorable to stocks than at the 1937 or 1929 highs. Average price-earnings ratios remain a good deal more moderate than they were at any of the three past major tops cited. The conclusion is that it will require a substantial further rise in dividends if the market is to avoid reaching serious vulnerability via more than moderate further advance — and that this requirement is likely to be at least partially, if not adequately, met between now and the year end.

Earnings And Dividends

For cash-flow reasons, centering in record depreciation-amortization charges, the "quality" of corporate earnings is better than in the past. So is the "quality" of dividends, since the average payout of reported earnings is only around 56%, against normal prewar ratios around 70%-75%. Thus, there is leeway for the goodly further increase in total dividend payments that investors are banking on and willing to anticipate. If not yet extremely priced, however, stocks are generally more dear than cheap. Sound portfolio management continues to demand prudence and close discrimination

—Monday, June 20



ARE WE MORTGAGING FUTURE BUYING POWER?

20 Billion In Interest Payments!

By HOWARD WINGATE

Since the middle 'thirties, and particularly in the last decade, Americans have become a nation of borrowers and repayers on a scale that dwarfs anything in history. Our federal government, our state and local governments, our corporations and unincorporated businesses, and we ourselves, in our capacities as homeowners and purchasers of durable goods, have made debt and repayment a vast new circulatory mechanism within our economic system.

The development of a huge network of interdependent borrowings and repayings—total outstanding obligations now gross in excess of $700 billions—has certainly had some profound consequences for national business activity. It has reorganized our money markets, enormously increased our "money supply", flooded our home-buying and durables markets, and permitted a multiplication of the importance of government in the business scene. It has created a volume of debt which hangs irrevocably over the future of corporations, governments and individuals. At the same time, it has played a vital role in swelling business activity, and hence in the creation of real wealth by the business system. In a sense, America's fifty million passenger cars are a symbol of the efficacy of the debt mechanism in broadening markets to the mass scale now so characteristic of the American economy: they are also a symbol of the mammoth repayments, of interest and principal, which lie unavoidably ahead for the American consumer.

Government Debt

Back in the halcyon days of the 'twenties, total government debt — federal, state and local — amounted to about $35 billion, of which about $20 billion was debt of the Federal government, about $2 billion debt of state governments, and the remainder obligations of local governments. Interest on the Federal debt amounted to about only $800 million a year; interest on the state and local portion of the debt added another $800 million.

Today, the total government debt is in the neighborhood of $310 billion: $275 billion federal, about $10 billion state, and the remaining $25 billion local. And the end is not yet: while the federal debt is now rising only very slowly, the state and local debt is, if anything, accelerating its upward climb, as increasing population pressures force a further expansion in the demand for those facilities such as roads, schools, institutional buildings, whose supply is mainly a function of state and local governments.

And, of course, the interest bill for these borrowings has risen with the borrowings themselves. The interest for total governments is now about $8 billion annually, of which about $7 billion represents interest payments on the Federal debt. Approximately 10% of all federal, state and local tax receipts are now directed at interest payment.

Business Debt

During the years of World War II, business debt in this country was about stable in many lines: in

many others, the volume of debt was actually reduced, since there was little in the way of plant, machinery or inventories that could be purchased in those years. At the end of the war, however, a ponderous upsurge in business demand for funds for expansion and rebuilding of depleted inventories, combined with relatively low (i.e., unattractive) levels of equity prices, produced an enormous expansion in business debt, and a consequent sharp rise in the interest burden on business.

Since 1945, gross corporate long-term debt (debt with an original maturity of one year or more) has risen from about $45 billion to about $105 billion, while short term debt has risen from about $55 billion to about $120 billion. Commercial debt (business debt of unincorporated enterprises, excluding farms) has risen from about $4 billion to about $12 billion; financial debt (mainly owed to banks and brokers for purchasing or carrying securities) has climbed irregularly from about $5 billion to about $10 billion, and farm debt has soared from about $7 billion to $17 billion (about half of the farm debt is now owed to the CCC and banks in the form of "production loans").

The government and business debt enumerated above comes to about $575 billion, and associated with this debt is a total interest charge which rough estimates indicate to be in the range of $13 billion a year. Certainly, neither the size of this debt, nor the interest burden applicable to it, can be treated as anything but a significant aspect of business conditions in 1955. The government portion of the $13 billion interest bill obviously sets a floor below which tax reduction simply cannot go. (Interest on the Federal debt, together with defense expenditures, now account for about 80% of federal tax receipts!) Similarly, the approximately $4 billion paid out annually by corporations for the use of borrowed capital is a cost of doing business that is inevitably reflected in the price structure.

Significant as they are, however, neither the government debt nor the business debt is the true center of the debt question, for the reason that neither shows any tendency to upset the apple-cart of American prosperity in the middle 'fifties. Measured against the appropriate variable, which is the total national output of goods and services, both public and business debt have remained in a relatively safe relationship, and neither government nor business has evinced any difficulty in meeting its respective interest burden. It is in the remaining area of personal debt, which is only about one-sixth as large as government and business debt combined, that the issue of the debt burden, and the interest burden, takes its most suggestive form.

Personal Debt ———

As of mid-1955, Americans as individuals owed the staggering sum of $30 billions on short-term obligations, including instalment debt and charge account and service credit. In addition, they owe the monstrous sum of $75 billion in the form of long-term debt secured by mortgages. This $105 billion burden is growing at a rate of about $14 billion per year—$4 billion in short-term, and about $10 billion annually in mortgage-type debt. The combined interest burden of this debt is now close to $7 billion, and it is growing at about $750 million a year. It is here that a number of business analysts find one of the grave doubts about the stability of current high levels of economic activity. Suppose that individuals reach a saturation point on their debt repayment obligations, and, by a process of self rationing, prevent the debt from growing any further? What would be the consequences to general business?

More than three out of five automobile purchases now involve the use of credit; about half of all purchases of all durable goods—a crucial $30 billion sector of the American economy—involve credit. And virtually all of the purchases of new homes of up to $20,000 in value involve a mortgage commitment (about half of these homes, in fact, now involve an FHA or VA guaranteed mortgage). A slowdown in credit growth, on the part of the American public, would thus have immediate and substantial repercussions in two basic American industries—homebuilding and consumer durables—and would spread quickly back into the far-flung range of industries which supply the steel, lumber, and fabricated products that go into homes, autos, etc.

The situation with regard to instalment credit, on the one hand, and mortgage credit, on the other, is quite different; it is necessary to take a longer look at each credit situation separately, to arrive at some indication of the dangers that may lie ahead in respect of the consumer debt burden.

Housing Credit ———

In 1929, mortgage loans outstanding on 1-to-4-family non-farm homes amounted to less than $20 billion; in the middle 1930's, the total had sunk to less than $15 billion, the decline representing, in the

AMERICA'S NEEDS AND RESOURCES

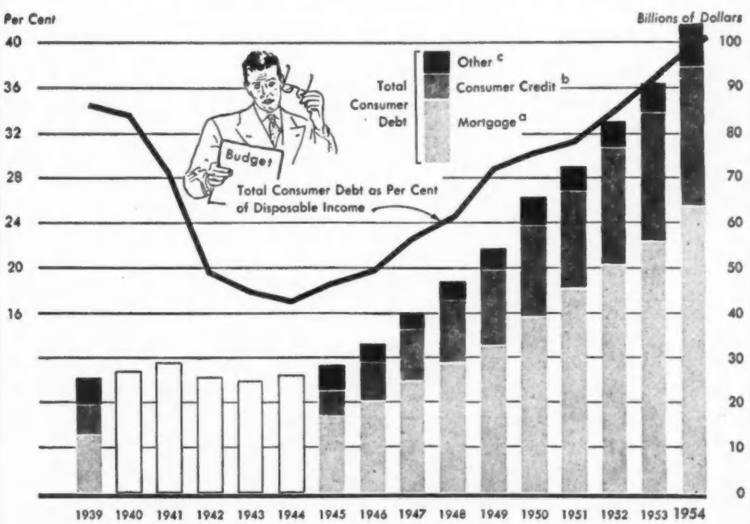


FIGURE 18. CONSUMER DEBT AND RATIO OF CONSUMER DEBT TO DISPOSABLE PERSONAL INCOME, 1939–1953

Source: Unpublished memorandum from Board of Governors of the Federal Reserve System.

a. Estimated debt on owner-occupied properties only; excludes real estate debt owed by landlords and builders.
b. Includes instalment credit, charge accounts, single-payment loans and service credit.
c. Includes security loans to banks, brokers and dealers, and policy loans.

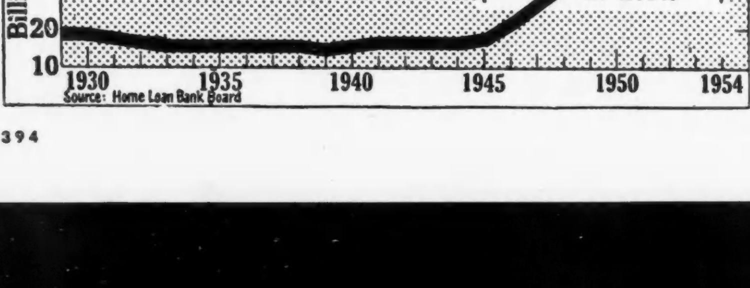
1954 Figures Supplied Independently

main, the extinguishment of mortgage debt through foreclosure. Even at the end of World War II, the total was only $18 billion.

At the end of 1954, it was $75.9 billion; as of the middle of 1955, it is apparently over $80 billion. (Of this amount, about $35 billion is guaranteed by the government under FHA and VA programs.) New mortgage debt is now being created at a rate of about $26 billion a year, while repayment of mortgage debt now takes about $16 billion. In addition, consumers are paying almost $4 billion a year in interest to the savings and loan associations, life insurance companies and commercial and savings banks which hold the bulk of real estate mortgages. Result: the total annual payments of individuals to cover amortization and interest now amount to about $20 billion a year ($16 billion principal plus $4 billion interest).

This repayment obligation is, of course, rising rapidly even now, for several reasons. In the first place, the rate of homebuilding, and of new mortgage debt formation, is close to record levels. Housing starts this year are expected to equal, or almost equal, the record 1.4 million figure of 1950. Moreover, the average mortgage placed on a home sale is at record levels: it was about $5,300 in 1950, from which it has climbed steadily to about $7,100 today. Finally, the interest rate on which new mortgages can be placed appears to be in a long-term uptrend. The 4% rate which prevailed on GI mortgages in the early postwar years is now 4½%; the 4½% rate that used to be available on FHA commitments appears now to be disappearing, and few conventional (uninsured) mortgages can now be placed below a rate of 5%. The large number of GI's who are refinancing their homes in order to provide cash for additions and alterations are finding that they have to give up their 4% or 4½% rate and accept a 5% rate, a process which progressively builds up both the total amount of mortgage debt outstanding, and also the effective average interest charge.

Yet despite the phenomenal growth of mortgage debt in the past decade, it is hard to find any imminent danger in the mortgage debt statistics. The two main reasons for this are (1) the incurrence of mortgage debt usually occurs in combination with an end of rental payments, which thus provides an automatic offset against the burden of monthly payments, and (2) the personal incomes of individuals, out of which the monthly payments must be met, have likewise increased sharply during the postwar years. As a result, despite the swelling of the mortgage debt total, it is nevertheless true that the total cost of the nation's housing accommodations now take somewhat less of the consumer dollar than they did in 1929 or late prewar years. The share of the consumer dollar going for housing has unquestionably been rising, however, and the current rate of rise would bring the proportion to a record level in another few years. At such a time, it may be more pertinent to question again whether the procedures in the money market and in home-building, particularly with regard to government guarantees, are not building a dangerous level of long-term consumer debt, along with an over-supply of homes. At the moment, however, it must be concluded that the mortgage debt burden, however large in absolute terms, is quite bearable by historical standards.



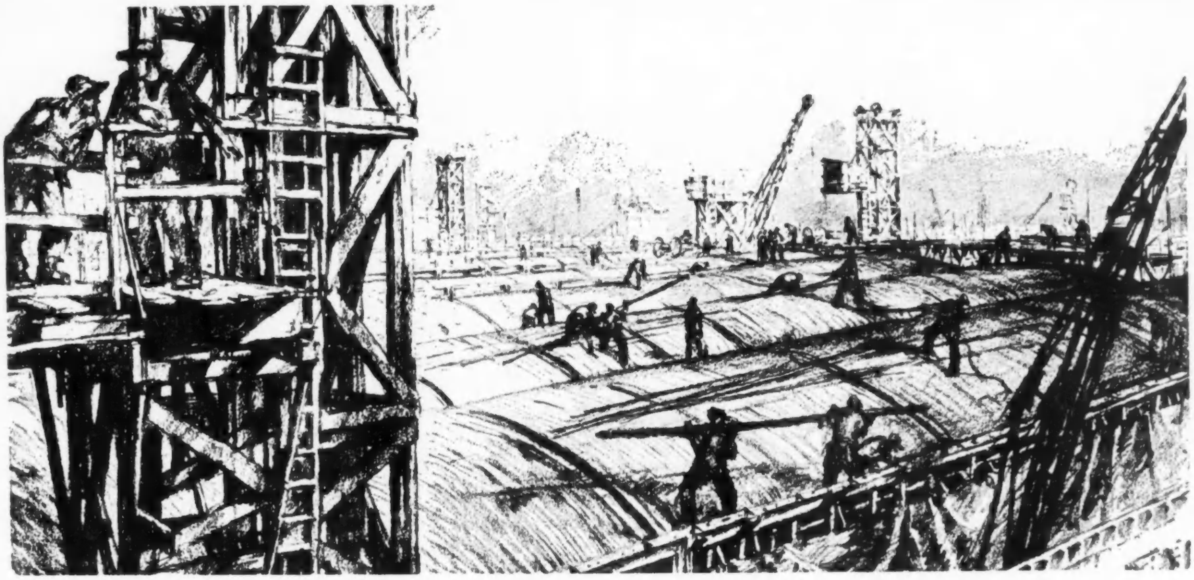
Consumer Credit ———

With regard to consumer credit and the consumer short-term repayment obligation on his debt, the situation is much less clear, and considerably more ominous. As of mid-1955, outstanding consumer debt amounts to a little over $30 billion. Of this amount, about $7 billion is of non-instalment types—single payment loans, charge accounts, service credit. The growth of this debt over the postwar years has not been sensational, and its relatively quick turnover makes it more or less innocuous as a threat to business stability.

But the remainder of short-term debt, the $23 billion of outstanding instalment borrowings, is far from innocuous. As of mid-1955, about one-half of instalment obligations represent debt against automobile purchases, another one-quarter was incurred in the purchase of consumer durables other than automobiles, and the remaining quarter represents repair and modernization home loans, and instalment-type personal loans. The $23 billion total is roughly four times the level prevailing in the immediate prewar years, and almost ten times the relatively low level of the debt at the end of World War II. In recent years, as domestic markets for many consumer hard goods have grown increasingly competitive, easy credit has become a natural sales tool, and the average length of term of instalment credit has lengthened until it is now in the neighborhood of twenty months. Similarly, as the price level for consumer durables has risen in the postwar price upsurge, the average size of instalment loans has grown accordingly. As a result, the use of credit is both more widespread and more intensive than ever before. New instalment debt is now being incurred at an extraordinary $36 billion annual rate, easily the highest in history, and repayments are now running well over $30 billion a year (both the extension and repayment figures used herein include interest and other charges, such as insurance, which are running at about $3 billion a year).

Repayment obligations on instalment credit now take about 12% of the consumer's dollar, even though the average length of instalment contracts is higher than at any time on record. The 12% figure is significantly above past experience—the level in prosperous prewar years was less than 11%—and there is every indication that the proportion is still rising.

As yet, there are no clear confirming indications that the level of this debt obligation has become seriously onerous: repossessions of financed cars in the automobile market are still quite low—less than 2% of total financings—and neither finance companies nor commercial banks, (*Please turn to page 431*)



New Stock Financing Trend Important to Investors

By WARD GATES

For the first time in many years, equity financing is commencing to occupy a prominent place in the sale of new corporate securities to the public. This is a development of mounting importance to investors since the number of companies financing through stock issues or the equivalent in convertible preferred stocks and convertible debentures is growing rapidly.

Management is taking advantage of the strong market for stocks in order to secure new funds, either to replenish working capital or to expand their physical facilities. Obviously, they can best do this when stocks are in keen demand as they are at present and for the past year. When new issues are offered at prices which afford valuable "rights" to existing holders, it is much easier to interest them in the new offering. It is notable, for example, that all new issues involving common stock, whether through direct sale of equities or through convertible issues, have found a ready market in recent months. Presumably, this favorable sales situation will continue as long as the stock market remains firm. A broad reversal in the market trend, however, would tend to dry up this pool of buying power.

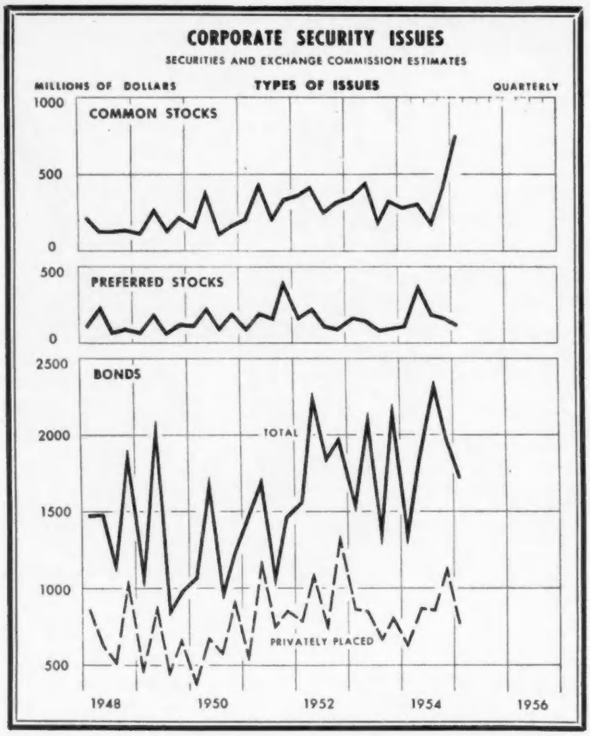
Bonds vs Stocks

For some years, corporations have financed themselves mainly via bonds, either short or long term. This has been especially true of companies manufacturing durable goods. One of the reasons for this is that corporations found it easier to sell bonds since most investors were dubious of the long-term position of common stocks. However, the prolonged rise in stocks, especially since 1950, has convinced them that common stocks of the better grade possess investment status to a degree that was not true before, and, hence, makes new stock issues of this class more attractive.

Another reason for the former extreme prevalence of bond over stock financing is that with corporate taxes at a very high level, there was a distinct corporate advantage in issuing bonds, for interest payments could be deducted from Federal taxes, whereas the payment of dividends on common stock affords no such advantage to the corporation.

But, perhaps, most compelling of all reasons favoring the issue of bonds over stocks up to the past year has been that until the newer high level for stocks was reached, the sale of common stock would have involved rather serious dilution of stockholders' equity. In the period to which we have reference, 1946-1950, the price of most stocks was relatively low as compared with earnings. In order to secure the requisite amount of new funds, companies would have had to add to their common stock capitalization at severely reduced prices, as compared with book value. Under present conditions, however, with stocks substantially higher than they were, the same amount of funds can be secured through new stock financing at prices much more comparable to book value. This tends to preserve, up to a point, the stockholders' equity to a degree not possible when new stocks are sold at a low market price.

The situation described was generally true of corporations in the heavy industry field and accounts



for the preponderance of bond issues in that category. Utilities, however, owing to the urgent demands on them for new facilities, were not in a position to choose the best timing for new financing and, since their bond structures were already quite heavy, were forced to enter the new securities market via stock issues. Inevitably, this resulted in considerable dilution on the part of issuing public utility companies, accounting for the relatively slow progression of earnings on a per share base on the greatly increased number of shares outstanding; this despite that net income for most of these companies has increased, practically year-by-year.

The risk of undue dilution of earnings applicable to common shares is avoided through the sale of bonds. As a matter of fact, "leverage" for the common shares is enhanced when the common stock capitalization remains more or less static and the bond capitalization is substantial, always provided, of course, that earnings are adequate, or increasing. Nevertheless, the sale of bonds, as many corporation executives realized, imposed certain serious disadvantages which they are now attempting to avoid on an increasing scale through the sale of new common stock, or the equivalent.

Despite the tax savings in the issue of bonds, the disadvantage for companies in the fluctuating capital goods industries, in particular, is the assumption of fixed charges, which can prove increasingly burdensome in periods of declining business. Despite this obvious handicap, management had no choice in the period of low stock prices but to finance through bonds. Now that this situation has changed, though for how long it is difficult to say, as this will depend on the future of the stock market, it may be expected that new corporate common stock issues will increase and that bond offerings will decline relatively.

It is interesting to observe the trend of stock vs. bond financing in the past four years. These are given herewith:

Corporate Securities Offered for Cash in the U.S.

	Common Stock	Preferred Stock	Bonds
	in millions of dollars		
1951	1,212	838	5,691
1952	1,369	564	7,601
1953	1,326	489	7,083
1954	1,213	816	7,488
1955 (1st qu.)	760	115	1,718
1955 (projected)	2,500-3,000	700	6,800

From the above, it will be seen that for the years 1951-1954, common stock financing continued at a low ebb. It was not until the end of 1954 and the first few months of 1955, that the rise in the stock market commenced to shift the trend of new financing toward common stocks. Actually, the trend is stronger than that indicated by the table since the total for bonds includes a number of issues convertible into stock.

Rising Cost of Replacement

Approximately 70% of retained earnings (after dividend payments) goes toward financing needed projects, the balance from the sale of new securities. Since depreciation allowances are not sufficient and cannot possibly compensate for the loss in the value of the dollar, obsolescent plants must be replaced at high cost, thereby increasing the burden of new financing.

While all corporations are more or less subject to these conditions, the larger companies are now in a more favored position owing to the fact that indebtedness incurred for plant expansion in connection with defense requirements, under the accelerated amortization plan, are now being rapidly liquidated, thus releasing increasing amounts of cash for corporate purposes. Furthermore, the tax flow is increasing since depreciation under these specialized charge-offs substantially reduces the tax impact thus affording the companies higher cash resources. Companies in this position may be less in need of new financing than those who have not been called on by the government to increase their plant facilities for defense purposes.

This leaves a very large number of middle-sized and smaller companies which are urgently in need of new capital but which have been prevented from obtaining access to the pool of available investor funds due to the low prices at which their stocks, up to recently, have been selling. Now that their shares, as well as those of superior investment standing, have finally commenced to reflect the strong upward pull on stock prices in general, these companies are in a better position to go to the investing public for new funds.

Taking a Good Look at the Offering Price

The fact that the so-called "blue chip" stocks are selling at prices offering low yields is also a factor favoring the smaller companies planning to sell new securities. Since the common stocks of these companies still sell at prices offering a higher yield than

those of the leading companies, investors are more likely to be attracted by the greater return.

As long as the acquisition of new funds remains a pressing need for the medium and smaller sized companies, it may be expected that their managements will take full advantage of the present and, presumably, immediately prospective, favorable outlook for the sale of new stock to obtain these funds via the sale of common stock. From the investor's viewpoint, however, it is essential to determine whether the new common stock offerings are to be sold at prices which realistically, and not extravagantly, reflect the company's actual potentials.

There are two considerations that investors should not ignore in investing in newly offered stock issues, with respect to companies which have not yet established a true investment status for their securities. This would be especially applicable to medium-sized and smaller companies in cyclical industries, marginal companies, and companies with a comparatively brief corporate history, whose earning power has not as yet been solidly established. The first of these considerations is the possibility of over-pricing of the new issue. The second is the factor of "dilution." These will be discussed separately.

With respect to possible over-pricing, it should be understood that the final timing of the new issue is decided by the Board of Directors, either during or before consultation with the underwriting house (or houses). This is also true of the price at which the stock (or convertible issue) is to be offered, but both timing and price will depend on the condition of the stock market. In a period of great market strength such as in the past year and at present, the common stock of the issuing company is most likely to have had a substantial advance and this is a prime determinant in the price at which the new stock is to be offered. Old stockholders, of course, receive the benefit of "rights" to subscribe, which may or may not be of substantial advantage. In any case, the investor, new or old, subscribes to the new stock at prices exceeding former levels by a wide margin. Under those conditions, he is being called on to make the investment *after* a prolonged and substantial rise, and he should not lose sight of this fact. However, this is not equivalent to saying that the investment may not be sound, but this the investor must determine by a factual analysis of the position and realistic outlook for the company. He should be inclined toward a conservative, rather than an over-optimistic, appraisal, especially since the additional stock is bound to dilute his earnings on a per share basis to a greater or less extent. In the case of young, growing companies, the speculative risk is obviously more inherent. In the case of marginal companies or companies in cyclical industries, the risk of a future downswing in earnings which could affect the per share earnings (*Please turn to page* 434)

Corporate Financing 1954-1955

Financing by Leading Companies Through Offerings of Common Stocks

	Number of Shares Sold	Offering Price	Recent Price
Acme Steel Company	139,092	21¼	31
Aluminum, Ltd.	904,314	47.60	97
Central & South West Corp.	600,000	33½	34
Chicago Corporation	672,000	18	22½
Copper Range Co.	282,464	35	38
Duquesne Light Co.	450,000	35½	35
Fairchild Engine & Airplane	557,551	11¼	15
Florida Power & Light	305,000	63½	71
General Instrument Corp.	200,000	11⅛	10¼
General Motors Corp.	4,380,683	75	97
General Public Utilities Corp.	606,423	28½	36
General Telephone Corp.	300,000	49	56
Marquette Cement Mfg. Co.	100,000	34	80
National Gypsum Co.	464,325	40	49½
Northern States Power (Minn.)	1,219,856	14	16¾
Pacific Lighting Co.	600,000	40	40
Penn-Dixie Cement Corp.	361,282	27¾	33
Philadelphia Electric Co.	906,917	34	38½
Southern California Edison	600,000	40¼	49

Some Corporate Offerings Expected Shortly

BALTIMORE GAS & ELECTRIC CO.—Plans to offer 575,000 shares of common stock for subscription on basis of one new share for each 10 shares now held.

EVANS PRODUCTS CO.—Has filed registration with SEC covering $3.5 million convertible debentures.

MUELLER BRASS CO.—Registration statement filed with SEC covers $5 million of 20-year convertible debentures.

SOUTHERN COMPANY—Is expected to offer sometime this year or early next 500,000 shares of common stock at price and under conditions to be determined.

Financing by Leading Companies Through Offerings of Convertible Preferred Stocks

	Shares Offered	Div. Rate	Conversion Price*	Recent Price of Common
Allis-Chalmers Mfg. Co.	350,000	4.08%	$60	74
American Cyanamid Co.	580,235	3.75	50	57
Bridgeport Brass Co.	202,547	4.50	50	43
El Paso Natural Gas Co.	300,000	4.40	41¼	48½
General Telephone Corp.	300,000	4.25	37½	56
General Tire & Rubber Co.	100,000	4.50	60	57
Minn.-Honeywell Regulator	160,000	3.30	65	64
Safeway Stores, Inc.	267,00	4.30	46	45

Financing by Leading Companies Through Offerings of Convertible Debentures

	Amount Offered (in mil)	Int. Rate	Conversion Price*	Recent Price of Common
American Potash & Chemical	$ 7	3⅝%	$ 90	79
Armstrong Rubber Co.	4	5.50	22	31
Bethlehem Steel Corp.	191.6	3.25	140	132
Columbia Gas Systems	50	3.50	13⅓	16½
Continental Baking Co.	13	3.625	34½	35⅜
Detroit Edison Co.	43.3	3.25	25	36
Fruehauf Trailer Co.	15	3.75	40	45
General Dynamics Corp.	40	3.50	75	60
Grace (W.R.) & Co.	30	3.50	52⅝	48
Lockheed Aircraft Corp.	30	3.75	50	45
Southern California Edison	40.9	3.25	42.85	49
Union Oil of California	60	3.0	65	52
Vanadium Corp. of America	5	3.125	32½	43

* Subject, in some instances, to time limits upon expiration of which conversion is subject to change.

WHY LEGISLATION IS NEEDED

For Over-the Counter Market

By JAMES A. JACKSON

The Senate Banking Committee (Fulbright Committee) which took a good, hard look at the stock market in order to determine whether speculation in stocks had reached a dangerous point, did not fail to let its glance dwell on some other important phases of the securities markets. It was particularly critical of the over-the-counter business and came up with some specific recommendations after an exhaustive investigation into its ramifications.

Its keen interest in the over-the-counter market need elicit little surprise. Actually, this market does more business than all of the Stock Exchanges of the country, large and small, put together. There are some 20 to 25 times as many unlisted securities as there are listed on the New York Stock Exchange, which houses about 3,000 separate issues. In terms of dollar turnover, it does a daily business far in excess of the major Exchanges. This is because, in addition to dealing in the common run of stocks and bonds, it is also the seat of all private dealings in government issues running into the hundreds of millions daily. It serves as a "pre-market" for new issues destined for early listing and is also the center of private dealings in securities, of dimensions too large to be handled simultaneously on the Exchange.

The "Double Standard"

Strange to say, though the over-the-counter market is so huge, in an important sense it remains unregulated, since the regulations to which it is subject under the Securities & Exchange Commission and corresponding agencies of the individual states, are not nearly as effective as those under which the Exchanges operate.

The fact of the matter, as the Fulbright report states, is that there is a "double standard" as between the regulation of securities on the Exchanges and that of the over-the-counter market. The main distinction, and one which concerns investors the most, is that companies whose securities are unlisted and yet in which there is wide public participation are not compelled to conform to the rather strict rules concerning the publication of earnings and other essential data on company operations. In too many cases, it is difficult for investors in over-the-counter securities to obtain adequate information on their companies, whereas those listed on the Exchanges must comply with SEC regulations concerning the registration of new issues, and Stock Exchange rulings concerning the priority of periodic earnings statements and other essential information in order to obtain and retain listing.

There are other defects in the over-the-counter business as compared with the Stock Exchanges. For example, in the case of listed securities, officers' salaries and bonuses must be reported.The same is true of so-called "insider" trading, that is transactions in the stock of a company by its officers. There is freedom from these restraints in managements of companies whose securities are traded in over-the-counter.

Another anomaly is that credit regulations are quite different as between listed and unlisted issues. Margin requirements apply only to listed securities. While an investor may not borrow on unlisted securities from brokers or dealers, there is nothing to prevent him from borrowing from banks, thus contravening the purpose of margin requirements.

These are the essential differences between the regulation of both types of securities markets. It must be obvious that existing governmental strictures on the Exchanges are far more rigorous than those that apply to the over-the-counter market.

For this reason and also because of abuses in the sale of small issues (less than $300,000) which do not come under the provision of SEC registration, it is likely that the Fulbright Committee will seek to lay the foundation for new legislation covering regulation of the over-the counter market. The past 20 years of successful experience with regulation of listed securities has convinced many leading over-the-counter houses that such legislation will, in the long run, prove as constructive for their business as it has for the Exchanges. Since the total volume of business on this market is so enormous and since so many thousands of individual investors are deeply concerned with it, the progress of coming attempts to enact legislation will be watched with the greatest interest by the investing community.

Mechanics of Over-the-Counter Market

For the benefit of those investors who have until now confined their dealings to the New York Stock Exchange and other "listed" markets, we present this analysis of the differences between those markets and the over-the-counter market:

The New York Stock Exchange and the other exchange markets serve as auction blocks, providing a central place for the concentration of bids and offerings. A true auction market in an equity can't be maintained unless there is sufficient activity in the issue. Where less active securities are dealt in on an exchange, it falls to the lot of the specialist in a stock to make the market when sufficient public interest is lacking. Thus, if an investor wanted to sell his holdings in a certain company and the specialist in that particular stock had no order from anyone to buy, he would be expected to enter a reasonable bid of his own. The continuity of any market thus created is largely dependent on his financial resources and willingness to risk his own money.

In the market for unlisted shares the situation is different. Here there are dealer firms across the country that interest themselves in making a market for unlisted (and even a number of listed) issues. They communicate with each other through private wires, telephones and like facilities. Many of these dealer-brokers stand ready as principals to buy and sell sizable quantities of the issues they quote and to maintain inventories in them. Some of these houses, of course, choose to act solely as brokers.

When an exchange-broker executes an order for a customer in an exchange-listed stock, he reports the cost as well as the amount of his commission on the slip confirming the transaction. On the other hand, the over-counter dealer more often than not buys from and sells to the customer on a "net" basis. This means his profit or loss is included in the price quoted and there is no commission charge shown. Exchange commission rates usually are lower than the profit rates of the over-counter people. An important reason for this is the fact that the services of the over-counter dealer, besides frequently necessitating his taking the risk of an inventory position, include the extensive searching for matching bids and offers. Many of these dealers do business throughout the day with firms in scattered parts of the country.

To the extent that differences in cost exist, there is still the problem of analyzing the different services rendered by the two markets. It is known, for example, that even for comparable securities and transactions over-counter markets generally use more intermediaries than the exchanges to consummate transactions between public customers. If the larger number of intermediaries, or greater selling effort per intermediary, is a necessary concomitant of the kind of merchandising required to effect desirable transfers among public customers of the type of security traded over the counter, higher costs may be justified even though the transactions appear similar.

While the New York State Exchange and other stock exchanges list the bulk of the blue-chip issues, for sheer number of companies the over-counter market is far ahead. Some 3,500 issues are listed on stock exchanges whereas tens of thousands of unlisted issues are quoted for the public every year. Over-counter trading also is an older institution. Long before the New York Stock Exchange obtained its first charter in 1817, securities trading in this country was taking place on the over-the-counter securities market. Today, this market consists of about 3,000 securities houses and more than half again as many branch offices.

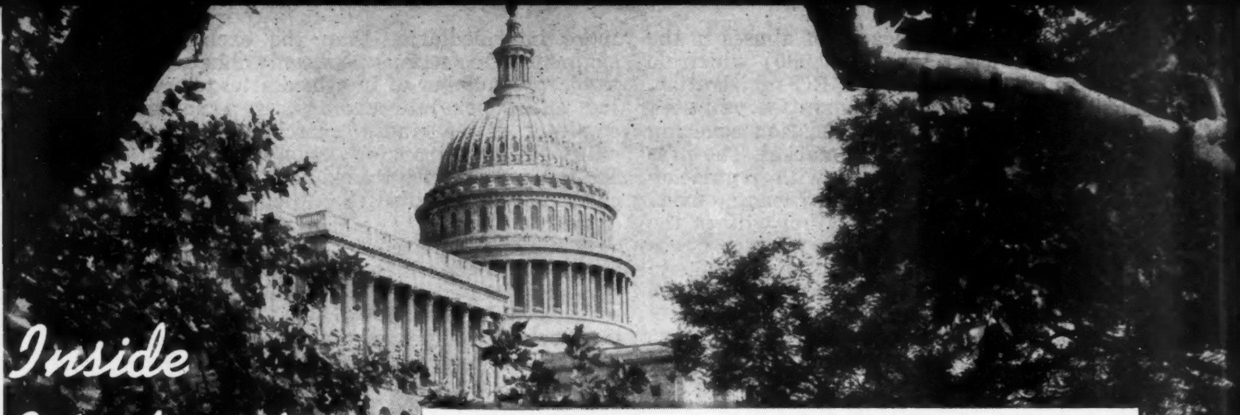
The bulk of the new financing of securities takes place in the over-counter market. Many domestic and foreign corporations obtain their funds for expansion and long-term external financing through the issue of securities here. Financing of these new corporate issues usually is effected through securities houses which act as investment bankers.

In this market, the press, dealers and brokers are served by a reporting system which is their "ticker tape." It is conducted by the National Quotation Bureau, a private firm that sells the service to over-counter houses and to the National Association of Securities Dealers. Retail "bid and offered" prices are gathered (*Please turn to page* 347)

10 Prominent Over-the-Counter Stocks

	Recent Approx. Price	1954 Com. Shr. Earns	1954 Cash Divs. Declared	Approx. Yield
Bankers Trust Co., N. Y.	63	$5.02	$2.25	3.6%
Wagner Electric Corp.	30	2.05	2.00	6.7
Warner & Swasey Co.	18	2.65	1.25	7.0
American Enka Corp.	48	4.48	2.00	4.2
Atlanta Gas Light Co.	25	2.16	1.20	4.8
Haloid Company	50	3.25	1.50	3.0
Abitibi Power & Paper Co.	33¼	2.49	1.20	3.6
Bank of America NT & SA	40	2.64	1.60	4.0
Automobile Insurance Co.	140	5.24	2.10	1.5
Aetna Insurance Co.	75	3.48	2.40	3.2

NOTE: Stocks shown here are presented merely to provide some insight into the varied entities whose shares are traded in the unlisted market. While all of the foregoing are on a dividend basis, the percentage of dividend-paying stocks traded over the counter is substantially smaller than is the case in issues dealt in on the major exchanges.



SOME MINOR DEFEATS FOR IKE

By "VERITAS"

FARM OPERATORS find themselves the beneficiaries of a legislative program in which they weren't mentioned: the wage-hour law revision. Farm owners were ready to throw in the full force of their opposition had Capitol Hill veered toward an amendment bring agricultural help within the coverage. But when the White House left it out of the labor message, Secretary Mitchell and organized labor ignored it, the farm bloc stood mute. Now, agriculture is translating the higher minimum wage into cash benefits to the national meat market.

WASHINGTON SEES

The republican party's campaign issue for 1956 has been crystallized and it's one that has proved almost uniformly unbeatable in the past: Prosperity.

Good business has been constant for a sufficient number of months, and the prospects of continuance seem bright enough to justify National Chairman Leonard Hall's conclusion that "Prosperity!" is the winning slogan. Hall has returned from a long trip in which he found few economic trouble spots. As an old campaigner he has seen both parties ride to victory on the "you never had it so good" argument — a catch-phrase which combines both a selling argument for the party in power and a scare issue. But it is the affirmative approach that appeals to GOP national headquarters, because it can be documented.

The 20-year democratic reign in the White House which began with Roosevelt and was ended by Eisenhower was launched on an economic collapse for which the republicans were blamed by enough voters to insure a change on Pennsylvania Avenue. It was kept alive by quadrennial rattling of the "Hoover depression" ghost, an attack for which the republicans had no effective defense. The adventurous methods of the democrats are, to be sure, hard medicine but they produce quick results when little else counts. This time, the democrats aren't needed to bring on prosperity. It's here, as Hall points out.

PANICKY White House advisers are wringing their hands over minor, or partial reverses on the domestic legislative front and are trying to pressure Ike into open appeals to the public. Going over the head of Congress is, at best, dangerous; it worked for FDR but failed in most other tries. Because the President isn't getting his way on military reserves, housing, health program, and minimum wages, the worriers see the Administration in danger. Ike doesn't think so, isn't likely to rush to this appraisal until the disputatious bills are nearer the point of final decision.

WARNING that the Supreme Court's anti-segregation ruling would produce side problems was justified. Like all crusades, the effort for speedy erasure of racial lines tends to get out of bounds and sometimes the most gallant knights call for halt. Such was the case when President Eisenhower, much-decorated friend of minorities, was prompted to warn that national security must not suffer by quarrels over integration of white and Negro troops. Few will disagree with Ike that an amendment forcing integration against today's backdrop of judicially-ordered readjustment is unwise.

BASIC REFORM in government operation seldom is accomplished directly by manipulation of an appropriation bill; in fact "legislation in an appropriation measure" is a valid point of order. But the postal pay bill is an exception. The document vetoed by Ike followed the practice of many decades by granting across-the-board raises while preserving basic inequities and chilling incentive. Through debate and delay new approaches bringing new efficiency eventuated.

As We Go To Press

Needless to say, the Eisenhower Administration gave no aid or encouragement to the auto workers drive for a guaranteed annual wage, yet the GOP will be a large beneficiary of the Ford settlement. Walter Reuther obtained for his union, and Henry Ford gave on behalf of the company, just enough to insure an expanding economy in the automobile industry; and in the compact is a proof of the confidence on both sides which the White House wanted, and needed, to have spoken. The quickest barometer of public reaction was the stock market strengthening. The threat of a major automobile strike had been wiped out.

Had the automobile makers rushed production in the past several months and built topheavy inventories, some of the significance of the strike avoidance might have been lost. Some of the less informed had scoffed at the importance of UAW's guaranteed annual wage demand and its strike-threat backing. They said the companies would sit back and sell out of inventory. But the contract negotiations went on against a background of comparatively normal stock backlog. All of which means that the unions were not backed up against the wall, confronted by an ineffective strike that couldn't wreak damage to management. With no great number of cars to sell, the new product market could have ground to a stop.

It has been estimated that 20 per cent of the national industrial economy depends upon constancy in the automotive field. To have disturbed that regularity would have invited repercussions countrywide. But with no interruption now in sight and the market still avidly absorbing new products from the assembly line, Ike can look ahead to many continued months of business prosperity. GOP leaders measure the importance of this happening by letting their imaginations course free and guess what the political results might have been had there been no early pact. And guess, also, who'd be blamed for it in the next campaign!

Washington reaction to the Detroit happenings was quick. National headquarters of union groups greeted the landmark in labor-management relations with restrained rejoicing; they are leaders to whom the parochial locals now look for a guaranteed annual wage, and none is yet in sight on the broad labor front. The principle had been established that employers AND employees must take up the slack in their planning for a more constant wage -- assuming the company can adjust, operationally and economically. There was no sweeping declaration that Ford having adopted a modified GAW, all others can follow suit. In fact, other employers now have the facts on which they can rearrange their work schedules, spread production over the 12-month period. This way, they can plan for an individual 52 weekly paychecks, or none.

Whether advertisers should continue to support TV programs by sponsoring them, or set owners should pay as they see via a metal "box office" attached to the mechanism, is dividing the broadcast industry. From the tumult that has grown out of the issue one might think decision is weeks away. Actually it will be more than one year before the Federal Communications Commission will make a ruling (assuming it doesn't throw the entire thing to Capitol Hill, which would mean two years delay), and when FCC speaks the echo will be heard in the U.S. Appellate Courts. The litigation conceivably could go on for years, and the results are anybody's guess.

If subscription television comes to pass there will be a multi-million dollar impact on advertising practices of large corporations. It will come gradually. The pay-as-you-see plan involves use of eight to 10 evening hours weekly in the initial stages. Being the hours of greatest viewing audience, naturally they

are the golden minutes of advertising and the diversion of ads to other media will strike at the heart of budgets. Pay-TV, if licensed, will not sweep the nation overnight. Contracts with television outlets and equipping home sets with unscrambling devices are additional delaying factors.

Close friends of the President are urging the politicians to give up on the idea of drawing a 1956 candidacy announcement from Ike now. They say the General has fixed his own deadline for a clarifying statement: March 15, 1956. He is pictured as considering that gives his party ample time to make such decisions as must be reached; that a yes or no prior to that time would be unwise from both the executive and legislative standpoints. While it's explained that practical considerations prompt the delay, it also is said to be a fact that the President just doesn't know this early whether he will be a candidate. Changes on the home and foreign fronts could alter everything is the word that comes out of nonpolitical gatherings at the White House.

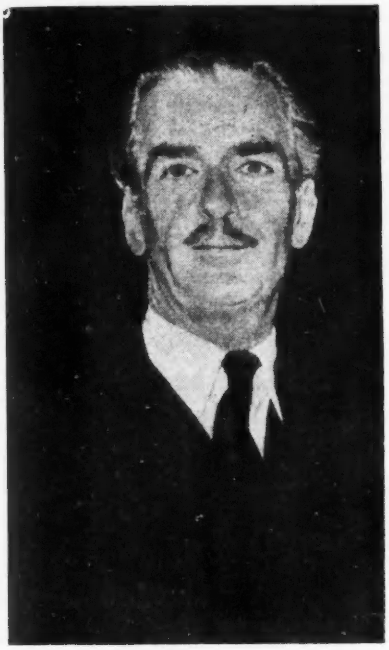
Added to the fact that Ike is showing an increasing acceptance, if not liking, for the job is the fact that, administratively, things have been going his way. In his first year, he fretted over every reversal on Capitol Hill, pouted about slow-moving government processes, worried over the fact that objectives were not being attained. He has come to accept the inevitable -- especially since Congress has yielded to him on many points. Rejecting the tax cut and sustaining his postal pay ceiling were illustrations. In these and other like situations, Capitol Hill accorded him the right of leadership, without which any general is unhappy.

Perhaps the most compelling reason for placing Ike in the ring as a candidate for re-election is his own timetabling of the peace outlook. At his instruction, an army of government speakers and publicists has been playing down the prospects of early tangible results from the forthcoming high level meetings. The President used the powerful voice of West Point's graduation program to put the summit meetings in perspective. Not even the time or the place of the Big Four gathering, let alone an agenda, have been set, he reminded; the sessions look only to future negotiations and are not, in themselves, negotiations.

Unless Ike is wrong in a field in which he hasn't been shown to be wrong in the past, the meetings will not have moved into high gear until after one more year rolls around. That would be about convention month for the republicans. The question naturally is asked: "Would the General resign his commission while the lines are forming for what could be the major engagement?" The answer which hopeful GOPers are giving themselves is the basis for the conviction that it will be Eisenhower and Nixon again. Still they'd be happier if the President would speak out.

The Hoover Commission report on foreign-aid programs departed from the style of its predecessors by indulging an uncommon degree of crawling on major policies. It blew hot and cold: it found foreign assistance efforts peppered with mistake and unnecessary cost, saw it sending money to nations which should be expected to get along without this crutch -- yet it proposed that the program be continued. Unlike other studies, this one makes many charges but fails to document them and appears to be accepting common surmise rather than basing on known facts when it says "certain countries" no longer need aid. The countries aren't identified!

Retailers are counting their blessings, businesswise. Congress seems to have reached the point at which new tax burdens of the transactions type have been bypassed -- probably couldn't clear the legislative hurdles now anyway. State legislatures have completed their annual or bi-ennial meetings and the sales tax situation has not been worsened. Supplies are plentiful and business is up, as much as one-third in some of the higher profit lines. And the threat of wage-hour law extension to cover retail store employees has been eliminated. Only thing they had sought and haven't obtained up to now are eased import regulations. The outlook for action there is clouded by approach of adjournment.



Socialism Fails in Britain

By V. L. HOROTH

The results of the parliamentary elections held in Great Britain last month provided another evidence that the tide toward socialism which swept through Western Europe ten years ago is now ebbing. Ten years ago, a majority of peace-hungry, bombed-out British and other Western Europeans were convinced that only socialism could wipe out injustices caused by the Second World War and remove the causes of future wars. They believed that by planning production and by distributing what was produced more evenly, socialism would bring prosperity for everybody. It appeared that a bright new age was in the making.

For six years, from 1945 to 1951, the Labor Party had an opportunity to legislate for a socialist utopia. This period was, let it be admitted, one of the most difficult periods in Britain's history, but the Laborites made one cardinal mistake. They bit off more than they could chew. They attempted too much at a time when Britain, exhausted by a costly war, pursued by creditors and faced by reconstruction problems, was close to economic collapse. Despite this situation, the Labor Government proceeded to legislate and create an expensive welfare state. Instead of encouraging the industrialist and the entrepreneur to carry out the long overdue modernization of British industries, the heavy taxation maintained by the socialists to support the welfare state and the constant overhanging threat of nationalization nearly killed off what private initiative there was left.

Though an economic collapse of Great Britain was prevented by generous American loans and by Marshall aid, the country's economy was getting stagnant and inflexible at the time when Western Germany was beginning its astounding recovery by encouraging free enterprise and by dismantling cumbersome controls. While Germany was getting rid of the planned economy, in Great Britain rationing of food and clothing was still the rule rather than the exception. There were but a few lucky Britons who were able to buy a car or build a new house. The glaring contrast between the rapidly recovering Germany and their own stagnating, socialistically-planned and bureaucracy-bound economy, turned many people against continuing socialist experimentation. When the first postwar contest came in 1951, the Labor Government was turned out of office.

Socialism Brings Economic Stagnation

Socialism also lost the second postwar election contest in Great Britain last month. It lost it because more and more people had come to realize that socialism would lead the country up a blind alley. Great Britain lives by international trade. It earns its living by exporting a great variety of highly specialized products made largely from imported materials. With competition in international trade growing steadily, Great Britain needs an economy that is elastic, ready to anticipate and exploit changes in the world market.

Socialism has no place in such an economy. The bureaucratic monster that the Labor Party built up during its six years of tenure and that, under the pretext of planning, extended its tentacles to all economic activities was discouraging what private initiative was allowed to survive. There was hesitation about modernizing the existing plants and building new factories—a development which in the last few years figured prominently in reports from Great Britain. Labor productivity was rising, but slowly.

A great trading nation, Britain under the socialists was turning away from international trade and slowly trending toward autarchy. In fact, had nationalization been pursued further and the control over labor movements extended, Britain would have ended as a semi-totalitarian state. International payments difficulties were met by more controls and more trade discrimination. Imports were rapidly becoming a state monopoly through bulk-purchase

schemes. The sterling area was being developed as an exclusive private preserve for British exports which were losing ground elsewhere. But a rebellion was brewing within the sterling area, and the whole system restored by the Conservative Party, the London under the socialists was unable to provide the necessary developmental capital for these countries. There were some 60 different varieties of the pound sterling, their quotations ranging from $1.50 to $2.80; sterling convertibility was the last thing the socialists were in favor of. Had the socialists stayed in power, the British economy would have ground to a halt, very much as happened in Sweden. But whereas Sweden has relatively large resources, is self-sufficient, and can afford to be a welfare state, the continuation of socialism in Great Britain would have meant a decline in the country's foreign exchange earning ability and an indefinite continuation of "socialist austerity" while economic conditions were rapidly improving elsewhere.

Last but not least, socialism has failed to develop a greater sense of responsibility among the employees working for such nationalized industries as coal mines, railways, and public utilities. As the recent railway strike has shown, the fact that the workers are in a sense co-owners of railways did not stop them from striking against the management. One of the editors of the left-wing Laborite weekly, "New Statesman", complained that socialism has been losing ground among the workers in recent years because of the realization that labor has little to say about the management of the vast bureaucratic corporations which run coal mines and railways.

'We're Out of Gas, Guv'nor'

Fischetti, NEA Service

Labor Remains an Important Political Force

After five years of a modified private enterprise system was on the verge of breaking down because chances of the socialists returning to power at the recent election were dubious. The new regime had been able to do away with austerity, had liquidated rationing, restored confidence in the pound sterling as an international currency, satisfied the long-postponed demand for such consumer durable goods as household appliances and automobiles, and at the same time maintained full employment. In fact, with the exception of Lancashire, every applicant for work at present has a choice of several jobs.

Yet the Conservative Party cannot be said to have won a landslide victory. It won because the rank and file — nearly one-fourth of the electorate — stayed away from the polls. Most of these people were former laborites who had not yet quite become convinced conservatives. Internal strife between the right and the left wing of the Labor Party was undoubtedly also a factor in the defeat. Moderate, right wing socialist candidates are reported to have done better than the anti-American left-wingers led by Bevan.

On the other hand, the Labor Party has unquestionably lost much of its dynamic quality. Many of its members are looking backward rather than forward, and in general they had little to offer that was constructive. As Mr. Woodrow Wyatt, a Labor M.P. in the last Parliament, wrote recently in the New York Times, the Labor Government, by creating a welfare state, made it more difficult for itself to stay in office. The gross inequalities in British society have disappeared. The share of the national income going to the working class is far greater than ever before. In fact, the skilled worker has become a full-fledged member of the so-called middle class. The Tories were clever enough not to interfere too much with the welfare state; with Great Britain prosperous, and with the most important features of the Labor Party's program in force, the revolutionary spirit of socialism has spent itself.

Yet the Labor Party remains an important force in Britain political life. It may also prove to be a constructive opposition, particularly if its defeat should lead to rethinking and modification of its program. If the right-wing Socialists were to abandon their policies and merge with moderate conservative elements, the Tories would indeed stay in power for a long time to come, but those in disagreement would have nowhere to turn but to the Bevanite radicals or to communism.

The socialists are also on the defensive elsewhere in Western Europe. They have suffered the greatest losses in countries where economic recovery due to the reestablishment of a free enterprise system even in a modified form has been the most successful, as in Greece or Austria. They are holding their own in the Netherlands and France and are still in power in Scandinavia. However, they have been forced to compromise and to give freer reign to private enterprise to avoid the economic stagnation into which any socialist-government country inevitably descends.

Americans and the Socialist Defeat

Most Americans, and the American business community in particular, welcomed the defeat of the Laborites with a sigh of relief. They welcomed it because for the next five years at least, the Conservative Party has a mandate to continue its present policies of strengthening and building up a modified private enterprise economy in which Americans

themselves believe. In general, the Conservative Party, under the constructive leadership of Eden, Butler, and Macmillan, may be expected to follow "middle of the road" policies, somewhat similar to those pursued by the Eisenhower Administration. However, there is a difference between the Conservative Party in Great Britain and the Republican Party in the United States. In this country the conservative right wing of the Republican Party can hold back legislation desired by the Administration. In Great Britain there is no strong right wing, and the leadership and the control of legislation lies in the more liberal and progressive wing of the Conservative Party.

Looking ahead, the Conservative Party will unquestionably interfere as little as possible with the present welfare state, which has become an accepted fact. But more and more controls are likely to be taken off and private initiative strengthened. Even more reliance is likely to be placed on flexible monetary policy as a means of regulating the economy, and less on direct controls which were favored by the socialists. Industrial investment is almost certain to get further encouragement by tax concessions. In general, the splendid job that Churchill's postwar administration did in strengthening private enterprise in Great Britain is likely to be continued.

On the international scene, the Conservative victory and the trend away from the directed, closed economy of the socialists promise even more active British participation than in the last few years in measures designed to free the international exchange of goods. Liberalization of trade and payments is bound to be furthered, and Britain may play an active part in bringing about a wider European economic unity. The planners in the Attlee Government regarded the creation of the European Steel-Coal Community with a suspicion.

The trend toward a closer European economic union of which Great Britain would be a member would also involve currency convertibility. Convertibility of the pound sterling now becomes a real practical possibility. The fact that the European Payments Union was extended recently for one month only, may be an indication that great decisions may be in the making and that convertibility may come sooner rather than later. However, economic dislocation created by recent strikes and the seasonal pressure on British international payments during the summer months may be deterring factors.

British Economy Is Much Stronger Today

Compared with five years ago, when it emerged from the socialist tunnel, British economy today is incomparably stronger. To begin with, it is far more productive. As will be seen from the accompanying table, industrial production last spring was nearly 60 per cent above prewar and more than 20 per cent above 1950, the best year under the socialists. The chemical and automobile industries have shown the greatest improvement, followed by engineering industries.

As was already mentioned, the British industries are modernizing and expanding at a rate never experienced before. The steel industry, which was freed from nationalization, is expanding its capacity to 22.5 million tons by 1958, double that of prewar. The chemical industry, which was threatened by nationalization, is reported to have increased its productivity by 50 per cent since 1950.

The standard of living of the British people has never been higher. The days of drab menus for British families are gone. The automobile registration at 3.2 million as of the end of 1954 was some 40 per cent higher than in 1950. Private housing, held back by the socialists, is booming, the number of new units going up in the two year 1954-55 period reported at 700,000. The sale of household equipment, in fact retail trade in general, is continuing to establish new records.

The British economy is today also more resilient and better able to adapt itself to trends in world economic affairs than it was six years ago. Some 45 per cent of exports now consist of chemicals, capital goods, electrical apparatus, motor vehicles and other consumer durables as against 39 per cent in 1950.

The Conservative victory assures sound economic policies, further strengthening of the private enterprise system over the next five-year period and, in general, a continuation of the present economic expansion. If we are to believe the Bank for International Settlements, this expansion in Great Britain and other countries of Western Europe is likely to exceed anything previously achieved. END

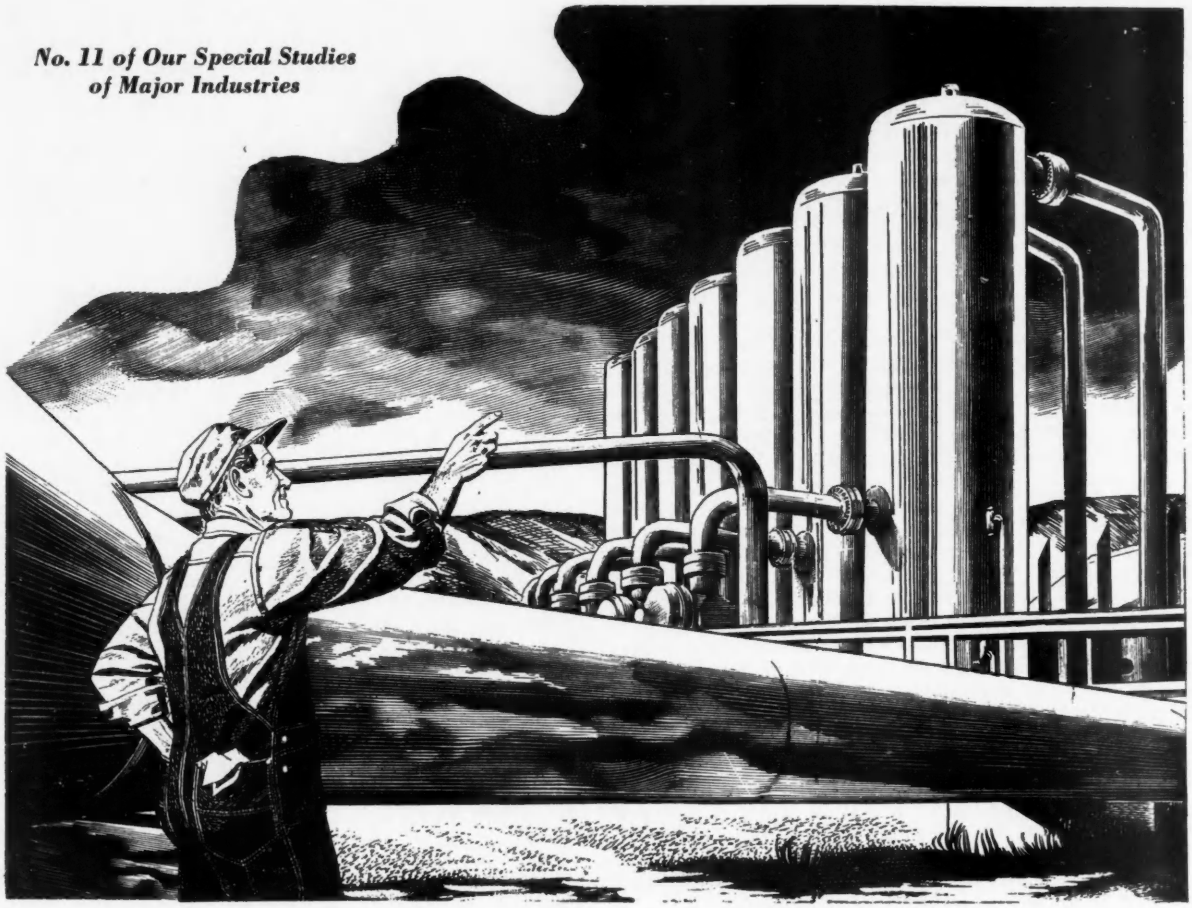
GREAT BRITAIN

(Economic situation in 1945, prior to the outbreak of the Korean War, and before the 1955 elections)

	Prewar Av. 1937-'38	1945	Jan.-Mar. 1950[a]	Jan.-Mar. 1955[a]
POPULATION: (000,000)	47.4	49.2	50.6	51.1
PRODUCTION:				
Industrial output (1937-'38=100)	100	90[d]	126	156[e]
Steel production (million tons)	10.6[b]	12.0	16.9	20.6
Coal output (millions tons)	230[b]	186	229	240
Gross nat. product (000,000 £)	5,132[b]	8,646[d]	11,550[h]	15,543[i]
TRADE:				
Exports, value (million £)	£565	£506	£2,136	£3,096
Imports, value (million £)	£975	£1,531	£2,416	£4,024
Exports, volume (1937-'38=100)	100	41	151	169[g]
Imports, volume (1937-'38=100)	100	59	82	95[g]
PRICES AND WAGES:				
Cost of living (1937=100)	100	152	182	238
Wage rates (hourly earning in pence)	13.0	24.4	32.7	44.3
Unemployment (per cent of employed)	11.0	1.0	1.6[h]	1.5
FINANCES:				
Pound sterling (in terms of $)	$4.82	$4.00	$2.80	$2.80
Gold and dollar (000,000 $)[c]	$1,395[f]	$2,476	$1,984	$2,667
Sterling liabilities to foreigners (000,000 £)[c]	£4,039[f]	£15,028[d]	£9,568[k]	£10,923[l]
New dwellnig units (000)	360	3	191	333

[a]—at annual rates; [b]—1939; [c]—end of period; [d]—1946; [e]—estimate; [f]—end of 1937; [g]—Oct.-Dec. 1954; [h]—1950; [i]—1954; [k]—1949; [l]—1954.

No. 11 of Our Special Studies of Major Industries



Timely Assessment of Natural Gas Industry

By CHARLES WENTWORTH

(The natural gas industry is in an unusual position these days. For years, it has been classified by investors as a "growth" industry and this is still true. However, new problems caused by varying theories of how the industry is to be regulated and the upset caused by last year's Supreme Court decision seems to justify a re-appraisal of the industry's prospects. In this succinct review, the author stresses the regulatory features and the price angle which are two of the most important phases of current developments.—Editor)

The natural gas industry had its beginnings decades ago and enjoyed considerable expansion in the 1920's, but rapid growth was not resumed until after World War II when materials for pipelines became available. Large new markets were then opened up for natural gas from the south and middle west, especially to replace coal and gas in the north as a cheaper and cleaner fuel for home use. Thus the pipeline companies and the integrated gas companies enjoyed extremely rapid growth in the post-war period, far outstripping the retail distributors. Following are some average post-war increases in revenues for the three groups:

Six Pipeline Companies	653%
Eight Integrated Gas Companies	217
Three Retail Distributors	104

Some of the more phenomenal revenue gains in the past decade have been as follows: El Paso Natural Gas 1680%, Tennessee Gas Transmission 890%, Northern Natural Gas 440%, Mississippi River Fuel 360%, Texas Eastern Transmission 367%, Southern Natural Gas 357%, Panhandle Eastern Pipe Line 265%, and United Gas 248%. The biggest retailers, Pacific Lighting and Brooklyn Union Gas, gained 181% and 96%, respectively.

Statistical Summary of Natural Gas Companies

PIPE LINES (Some Production)

	Earnings Per Share 1952	Earnings Per Share 1953	Earnings Per Share 1954	Dividends Per Share 1952	Dividends Per Share 1953	Dividends Per Share 1954	Recent Price	Div. Yield	Price Range 1954-1955
Mississippi River Fuel	$1.78[1]	$1.56[1]	$1.75[1]	$1.10[1]	$1.10[1]	$1.20[1]	29[1]	4.1%	29½- 18½[1]
Southern Natural Gas	1.97	2.06	1.89	1.32½	1.40[2]	1.55	33	4.6	35½- 28¼
Tennessee Gas Transmission	1.85	1.65	1.73	1.40[3]	1.40	1.40	37	3.7	38½- 22½
Texas Eastern Transmission	1.11	1.33	1.69	1.00	1.00	1.20	26	4.6	27¾- 18¾
Texas Gas Transmission	1.14	1.59	1.63	1.00	1.00[3]	1.00[3]	21	4.7	23⅝- 16⅞
Transcontinental Gas P. L.	1.24	1.81	2.11	.35	1.40	1.40	28	5.0	29⅝- 22¼

1—Adjusted for 2 for 1 stock-split.
2—Plus 0.24306 share of Alabama Gas.
3—Plus stock.

INTEGRATED COMPANIES

	Earnings Per Share 1952	Earnings Per Share 1953	Earnings Per Share 1954	Dividends Per Share 1952	Dividends Per Share 1953	Dividends Per Share 1954	Recent Price	Div. Yield	Price Range 1954-1955
American Natural Gas	$2.34	$3.13	$3.52	$1.80	$1.90	$2.00	52	3.9%	57¼- 39¾
Colorado Interstate Gas	1.51	1.45	2.27	1.25	1.25	1.25	62	2.0	67½- 37⅜
Columbia Gas System	.83	.73	1.09	.90	.90	.90	16	5.6	17⅛- 12⅝
Consolidated Natural Gas	2.10	2.06	2.67	1.25	1.25	1.25	34	3.6	37½- 27
El Paso Natural Gas	2.95	3.50	1.89	1.60	1.60[1]	2.00	48	4.1	54½- 35⅜
Lone Star Gas	1.55	1.50	1.82	1.40	1.40	1.40	31	4.5	32 - 23¼
Montana-Dakota Utilities	.94	.95	1.46	.90	.90	.90	27	3.3	32½- 19
National Fuel Gas	1.38	1.11	1.40	.80	.95	1.00	20	5.0	23 - 15⅝
Northern Natural Gas	2.82	2.21	2.76	1.80	1.80	1.95	42	4.6	46⅞- 38
Oklahoma Natural Gas	1.39	.94	1.62	1.00	1.15	1.20	23	5.2	25⅛- 19
Panhandle East. Pipe Line	5.09	5.04	4.26	2.50	2.50	2.50	81	3.0	88 - 67
Peoples Gas Lt. & Coke	8.76	10.21	10.85	6.00	6.00	6.25	157	3.9	173 -134½
United Gas Corp.	1.56	1.99	2.08	1.06	1.25	1.31¼	32	4.0	35½- 27⅝

1—Plus 1 Western Nat. Gas for each 45 El Paso held.
2—Plus stock

RETAIL DISTRIBUTORS

	Earnings Per Share 1952	Earnings Per Share 1953	Earnings Per Share 1954	Dividends Per Share 1952	Dividends Per Share 1953	Dividends Per Share 1954	Recent Price	Div. Yield	Price Range 1954-1955
Brooklyn Union Gas	$1.79	$2.12	$2.50	$1.50	$1.50	$1.60	33	4.9%	36½- 26
Laclede Gas Co.	.92	.98	.85	.37½	.50	.60	13	4.6	14⅛- 9¾
Northern Illinois Gas	——	——	.84[1]	——	——	.50	19	2.6	21¾- 15¾
Pacific Lighting	2.48	2.00	2.38	1.50	1.62½	2.00	40	5.0	41⅞- 33⅝
United Gas Improvement	2.01	2.39	2.10	1.55	1.76[2]	1.80	37	4.8	39¾- 33½
Washington Gas Light	2.51	2.10	3.03	1.65	1.80	1.80	40	4.5	42 - 30⅝

1—11 months ended 12/31/54.
2—Plus 1 share Niagara Mohawk Power for each 10 shares held, and 1 share of Consumers Power for each 20 shares held.

Pipe Lines (Some Production)

Mississippi River Fuel: Has broadened its activities by entering oil and gas production field and building petro-chemical plant. Dividend recently increased following stock split. (H)
Southern Natural Gas: Company has enjoyed rapid growth and is planning pipeline extensions in new areas. Substantial rate increases have been requested, which may improve earnings. (H)
Tennessee Gas Transmission: Merger with Tennessee Production affords larger stake in oil-gas production, and company also entering petrochemicals. Marketing area extended to include N. Y. City area (H)*
Texas Eastern Transmission: Conversion of "Little Inch" Pipeline from gas to oil will require substantial financing, possibly including equity capital, but should prove beneficial. Two convertible preferreds. (H)
Texas Gas Transmission: Revenues increased ten-fold in post-war period. Share earnings irregular in recent years, but now in uptrend. Further expansion planned. (H)
Transcontinental Gas Pipe Line: Share earnings increased sharply in past two years, further gains anticipated. Low equity ratio (around 17%) affords extra leverage, but lowers investment quality. (N)

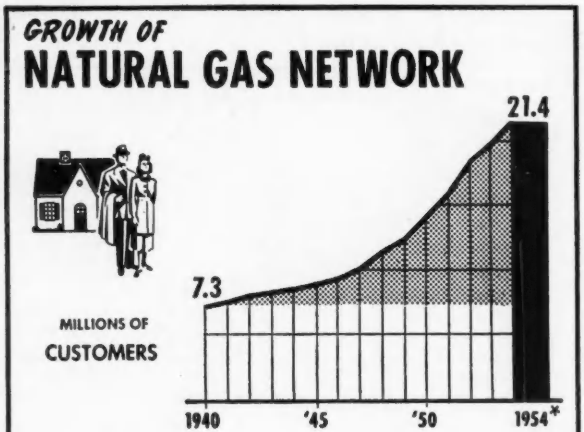
Integrated Companies

American Natural Gas: Plans construction of another major pipeline from Louisiana Gulf Coast to Detroit. Earnings and dividend record favorable in post-war period, with excellent gains in 1953-4. (H)
Colorado Insterstate Gas: Low yield and high price-earnings ratio seem explained by huge gas reserves and ambitious expansion plans, as well as important rate increase proceedings. (H)
Columbia Gas System: This largest gas system, with conservative capital structure, is gradually recovering earning power which for some years reflected adverse regulation and extremely rapid expansion. (H)*
Consolidated Natural Gas: Conservatively capitalized system, gradually clarifying rate problems. Share holders benefitted moderately by postwar growth. Low price-earnings ratio, considering quality. (H)
El Paso Natural Gas: Ultra-rapid growth System, 1954 revenues being 31 times 1937 figure. Company will have tie-in with important new Pacific Northwest Pipeline, has modest uranium interests. (H)
Lone Star Gas: Old-line conservative company, expected earn about $2.15 this year vs. $1.82 last year, due to rate increases. Company shares in Texas growth, but less expansion-minded than some systems. (H)
Montana-Dakota Utilities: Hybrid gas-electric utility owning substantial acreage in Williston Basin, but thus far no very important new oil-gas discoveries seem to have been made. Price of stock reflects these potentialities. (H)
National Fuel Gas: Has 52-year dividend record, and since payout policy has been liberal and earnings improving, some increase in $1 dividend appears likely. High equity ratio (59%). (H)
Northern Natural Gas: Recently completed pipeline expansion program, and further extension of marketing area anticipated. Post-war earnings irregular, but good increase last year and further gains envisaged for 1955. (H)
Oklahoma Natural Gas: Company enjoyed rapid growth since 1950. While share earnings lagged, they recovered sharply last year and further gain seems likely for current fiscal year ending August 31. (N)
Panhandle Eastern Pipe Line: Company has been outstandingly successful in converting revenue gains into larger share earnings and dividends. It has substantial gas reserves and is getting into petro-chemicals. (H)
Peoples Gas Light & Coke: Showed substantial jump in net income in 1946, but subsequent tripling of revenues did not improve share earnings much. Dividend payout now more liberal. Substantial increase in space-heating business anticipated, may benefit earnings. (N)
United Gas Corp: This conservative system has shown rapid growth, with gradual improvement in share earnings. Joining with Electric Bond & Share in large petro-chemical enterprise. (H)

Retail Distributors

Brooklyn Union Gas: Enjoyed only moderate growth until recently, when management began aggressive campaign to develop space-heating. Earnings quite irregular during war and early post-war periods but have improved recently. Attractive yield. (H)
Laclede Gas: Has enjoyed good growth, but since 1948 little progress made in improving share earnings, though dividend payout liberalized. Substantial improvement in net anticipated over next three or four years. (H)
Northern Illinois Gas: This company, offshoot of Commonwealth Edison, expects to improve share earnings substantially over the next three or four years by development of househeating. Equity ratio 49%. (H)*
Pacific Lighting: Large, old-line retailer. Share earnings improved sharply in 1946 but have remained irregular since. Improvement anticipated this year due to rate increases. Conservative capitalization. (H)
United Gas Improvement: Dividends since 1885. Share earnings made little net progress since 1946, but payout improved. Company may benefit by space-heating, etc. Ultra-conservative equity ratio (63%) would facilitate expansion. (N)
Washington Gas Light: Dividends since 1866. Share earnings improved moderately in recent years and dividend rate improved. Lack of important manufacturing business explains slowness of earnings growth. (N)

RATING: (H) — Hold; (N) — Neutral; * — Attractive at current prices.



IN the past 15 years, ten new states have been added to the nation's expanding natural gas pipeline system. With a total of 43 states now served by natural gas, customers have tripled since 1940. Proved gas reserves have outpaced this expansion, reaching an alltime high of 211 trillion cubic feet at the beginning of 1954.

The opening up of new areas has now largely been completed. However, Pacific Northwest Pipeline Corporation, after years of maneuvering between competing interests, was recently authorized to construct and operate 1466 miles of pipeline from New Mexico and Colorado to Idaho, Oregon and Washington. Parts of the Dakotas and some other sparsely settled western areas are not supplied as yet, and the State of Maine in the northeastern tip of the United States still lacks gas, as well as Florida in the southeast.

Areas of Expansion

Some other expansion is also taking place. El Paso Natural Gas is engaged in a major program to bring gas to southern California because of the decline in that state's reserve; it is also developing the San Juan field in New Mexico and will sell gas to Pacific Northwest Pipeline. American Natural Gas is beginning a $130 million pipeline from the Louisiana Gulf Coast to Detroit—possibly the last big north and south line which will be constructed. (A smaller north-south line, Gulf Interstate Gas, was built about a year ago.)

But expansion is also continuing through the building of "loops" in important distributing areas, the installation of many short stretches of line, new pumping facilities, etc. Consumption of gas continues to gain rapidly. It is estimated that there are now some 24 million homes in 43 states burning natural gas in furnaces and in various appliances such as clothes dryers, water and room heaters, air conditioners, etc.

There is still a great deal of expansion expected in space-heating. Brooklyn Union Gas is waging a very vigorous campaign and just reduced rates 10% to get them below coal and oil costs. Long Island Lighting is starting a campaign and other eastern utilities could do much more than they have thus far. The American Gas Association a few months ago estimated that in the three years ending December 31, 1957 the amount of gas required for house-heating will increase 29%, while total use will be up 18%. However, the AGA estimated that available gas would increase only 11% based on expansion plans then developed, so that consumers would be short 755 million therms unless more expansion is planned. These estimates made allowance for considerable anticipated progress in building underground storage facilities so that gas could be stored in summer to aid in winter house-heating.

The regulatory picture has brightened considerably under the present administration although still handicapped by anti-utility members of its staff, the big log-jam of cases in the Federal Power Commission has been broken and the rate of return has, on average, been raised from around 5% to 6% (in early pipeline history it was 6½%). In the Transcontinental decision of over a year ago, the FPC permitted the pipelines to use the average field price of gas in their area in pricing (for accounting and rate purposes) the gas which they themselves produce; previously the Commission had required a theoretical low cost based on a return on the original cost of the production wells. The Commission also now lays less emphasis on the annoying "cost of money" theory of rate fixing used by the earlier members. All of this has been reflected in improved earnings and market prices for the natural gas stocks.

"Escalator" Clauses and Prices

Meanwhile, however, the field price of gas has continued to advance, having already jumped from 6½¢ in 1950 to 10¢ last year. Moreover, the independent gas producers have saddled the pipelines and integrated systems with complicated and onerous long-term contracts. (It has been customary and necessary to have 20-year contracts, in order to guarantee long-term gas supply and gear this to the financing of the pipelines.) These contracts include various kinds of "escalator" clauses, which mean that the price of gas to the pipeline will be automatically increased under various contingencies—expiration of a certain date, a rise in price by a neighboring producer, etc. But producers claim that prices must go up in order to maintain interest in, and pay the increasing cost of, wildcatting and other development work to produce new gas reserves. This raises the question as to how much higher the price of gas can go in northern consuming centers without running into new competition with coal and oil—particularly in coastal areas.

The independent gas producers have been emboldened to demand these contract "escalators" because they were apparently not subject to regulation by the FPC. But the Supreme Court surprised the producers about a year ago by finally deciding that the Federal Power Act definitely includes the independent producers in its regulatory provisions. The FPC was not prepared immediately to regulate some 5,000 companies and individuals producing gas—it didn't have the funds or the experience.

Production of gas is mixed with production of oil,

which is not regulated. The Commission has been slow to tackle its new job, possibly in hopes that Congress would pass a new law. However, it "froze" all independent producers' prices and ordered all rate schedules and applications filed by December 1, last. These forms were filed ceiling-high in three rooms, and probably haven't all been processed yet, although the Commission has acted on some more important rate cases. A number of oil companies have sought protection in the Federal courts and some producers have threatened to withhold new supplies of gas from the market.

In February a blue-ribbon Cabinet Committee recommended that independent gas producers should not be regulated, and that in general the individual states should continue to control production of natural gas, although they included a recommendation that householders should be protected against rising gas prices. President Eisenhower did not indicate any definite decision based on the report. As the new Congress convened, however, the powerful oil and gas interests (particularly in Texas) gained the support of the House leadership for legislation to reverse the Supreme Court decision. A large number of bills were introduced which finally boiled down to the Harris-Hinshaw Bill, on which extensive hearings have been held. It only recently reached the floor of the House and is still to be cleared by the Rules Committee. Passage of the bill at this session is still somewhat in doubt, due to widespread opposition from political forces representing gas consuming states such as Wisconsin, New York, etc.

As the bill now stands with various amendments, producers would be allowed to pass on to distributors (and eventually to consumers) *indeterminate* escalator price increases to the extent they do not exceed "reasonable market price", which would be determined by the FPC. Types of automatic or arbitrary escalator increases (such as the "favored nation" clause, etc.) would, however, be outlawed. Pipelines could also obtain advice from the Commission in advance on whether proposed rates in new pipeline contracts are reasonable. They could also be credited with "reasonable market price" on gas they themselves produce (in regulating rates) as permitted by the FPC in the Transcontinental case.

Possible Delay of Legislation

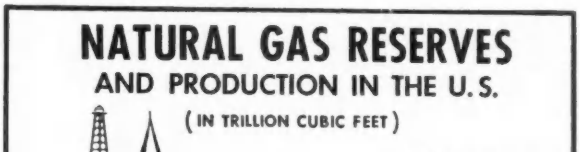
The Senate began consideration of a corresponding bill much later, and vigorous opposition from Senator Douglas and others may delay the legislation, raising added doubt whether legislation can pass both houses before Congress adjourns. And with 1956 an election year it looks as though the bill might have to go over until 1957.

FPC Chairman Kuykendall, in his testimony before the FPC, held that the Phillips decision of the Supreme Court does not reflect the original intent of Congress, and that it is illogical to regulate independent gas producers while producers of coal, oil, etc. are unregulated. He also held that Federal control might lead many producers to take their gas off the market, and that some industries might move to gas-producing states unless Federal control is lifted. Also, there would be Federal-state conflicts over conservation of gas reserves. He also held that pipeline companies should be encouraged to own and operate producing properties (instead of "spinning off" these properties) as has been done in some cases.

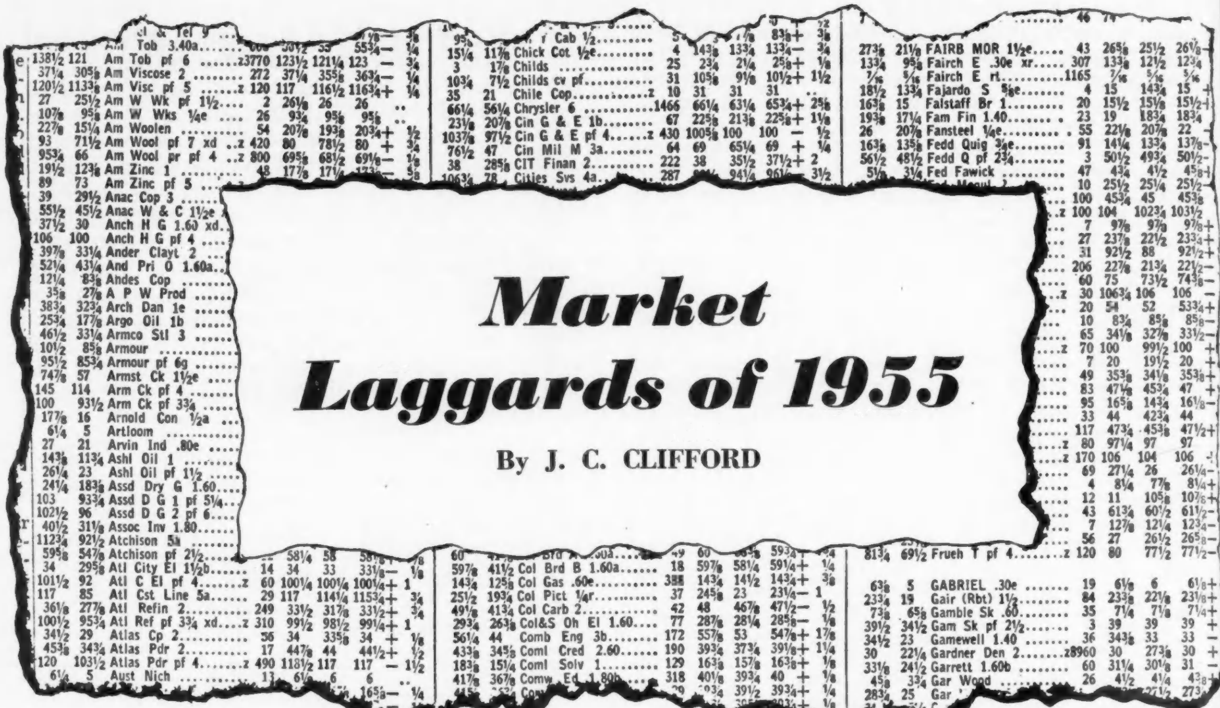
The gas industry itself can't seem to agree on what kind of a law it wants. The producers, the pipelines and the local distributors have failed to get together. Producers (principally in Texas) see a blow to discovery of new reserves with "short supply and higher prices" if regulation continues. On the other hand politicians and officials in major consuming areas feel that regulation is needed to protect consumers from unbearable and unwarranted price increases. An attorney representing Consolidated Edison and 13 other utilities in the New York City area testified that escalator clauses were forcing substantial increases in the cost of gas from Transcontinental, and that if rate uncertainties continued Edison might consider returning to manufactured gas.

Thus far, gas utility stocks apparently have not suffered much marketwise from this confusion. The present situation is not as serious from the investors' viewpoint as were the regulatory troubles several years ago. However, if the regulation of the independent producers really curtails the development work for new reserves, this may eventually affect the "growth" character of the industry.

Currently, the gas stocks compare favorably with the electric utility stocks. As of June 3 the yields on gas stocks compared as follows with those on electric utility stocks (*Please turn to page* 434)



NATURAL gas reserves in the United States continued to expand in 1954 despite a record withdrawal of 9.4 trillion cubic feet. At the end of the year 263 billion cubic feet had been added to proved recoverable reserves, bringing the total to 211.7 trillion cubic feet. Exploration activities accounted for new discoveries last year of five trillion cubic feet Extended drilling in existing fields added another 4.6 trillion cubic feet to the nation's fuel reservoir.



Market Laggards of 1955

By J. C. CLIFFORD

It is no solace to an investor to note that stock indexes, however venerable and respected, have reached new bull market highs when his own holdings have done little or nothing in the interval. It is not now, and never has been, true that "you can buy them with your eyes closed," for divergent action characterizes all markets.

Thus, to owners of laggard stocks it must have come as something of a shock to hear know-nothings testifying before the Fulbright Committee of the Senate that the stock market was too high. In nine years the Dow Jones Industrial Average has advanced 100%, yet five of the 30 issues making up the index were at lower levels. As for the balance of the market, hundreds of issues listed on the New York Stock Exchange were under the prices that prevailed in 1946.

There is a tendency on the part of many investors to shun stocks that have lagged perceptibly behind the general market. They feel that if a stock "has done nothing in this market" there must be ample reason. While such reasoning is quite often accurate, changing conditions in the economy can make today's laggard tomorrow's outstanding stock and today's leader tomorrow's malingerer.

It was not so many years ago that the aircraft issues went begging and, in more recent memory, the steels with yields around 10% were ill-regarded. On the other hand, the highly-regarded tobacco and liquor shares of those days fell on lean times in the ensuing years.

Many of the so-called laggards of today report favorable earnings and declare regular dividends that provide a good yield to investors, yet their records and/or prospects fail to stimulate any appreciable buying. Because we think the laggards defy generalization just as does the market as a whole, we have selected a half dozen stocks that might qualify as laggards and sought to analyze their prospects. While there are hundreds of stocks that fall into the laggard category, we have chosen these six because we regard them as among the more interesting in this category.

FAIRBANKS, MORSE & CO. over the past half year has moved in a range between 29⅝ and 24⅛, with quotations of late near the bottom. Its lack of attraction stems from a sharp decline in earnings last year to $2,478,000, or $2.03 a common share, compared with $4,263,000, equal to $3.55 a share, in 1954, although sales in both years were slightly under $108 million. Directors have reduced the dividend rate to 35 cents at quarterly intervals from 50 cents. To sour the situation further, earnings in the first three months of 1955 were only 18 cents a share — just half of the new dividend rate. F-M products include industrial engines, scales, heavy machinery and railroad equipment, notably diesels. This last brings F-M into competition with General Motors. Several segments of the heavy machinery and rail-equipment industries faced seriously curtailed markets during the past year. The resulting intensity of price competition prevented normal profit margins on several of its major product lines. Rising costs of materials and labor meanwhile continued. Prospects, however, are for an upturn in the fortunes of this company. Its line of pumps, sold the world over, are used for urban and rural water supply. It is engaged in such major projects as supplying pumps for the drainage of 1,100 square miles of agricultural area in the Florida Everglades. In an era of growing water problems, F-M pumps for use in irrigation, supply and drainage could give the earnings of this company a sizable lift. The stock sells for little more than half of its $45.90 book value.

AMERICAN CAN CO. results last year were disappointing. Strikes, unseasonal weather and declining demand for coffee cans were notable factors in paring net sales to $652,391,000 and net profit to $30,447,000, or $2.53 a common share. In the preceding year, sales were $660,581,000 and net $30,778,000, equal to $2.56 a share. The company has been caught in a profit squeeze for several years. An anti-trust suit decree in 1950 has kept the company from granting quantity discounts and required it to sell can-closing machinery to any customer wishing to buy. Also, during this period other can companies have grown in importance and other types of containers have made an impact on the market. With many of the handicaps that prevailed in 1954 out of the way, Can appears certain to have an excellent year in keeping with the high-level operations of the companies it serves. This largest producer of light-gauge metal containers made of tin plate and black plate used to package food, beverages and other items reported for the first quarter of 1955 record sales of $136,723,000 and net profit of $5,245,000, equal to 42 cents a share. This compares with $127,126,000 in sales and net of $5,133,000, or 41 cents a share, in the first three months of 1954. The method of allocating selling and administrative expenses reduced 1955 net. If the new procedures had not been used the first quarter earnings would have been 49 cents a share. But the new method of accounting, while increasing charges against first quarter earnings, actually lessens the impact during the remainder of the year. Despite rough competition sales of cans for beverage purposes in the first four months of 1955 were about equal to those made for soft drinks in full year of 1954. Capital expenditures of around $300 million in the post-war period have been financed largely from earnings and depreciation allowances, although in 1951-52 the company had recourse to some $65 million of new bond financing and $25 million of new common stock financing. Any appreciable rise in net income could be accompanied by an increase in the dividend rate. Shareholders have been receiving 35 cents quarterly plus an extra of 15 cents at the end of 1954. American Can has paid some dividend in every year since 1923.

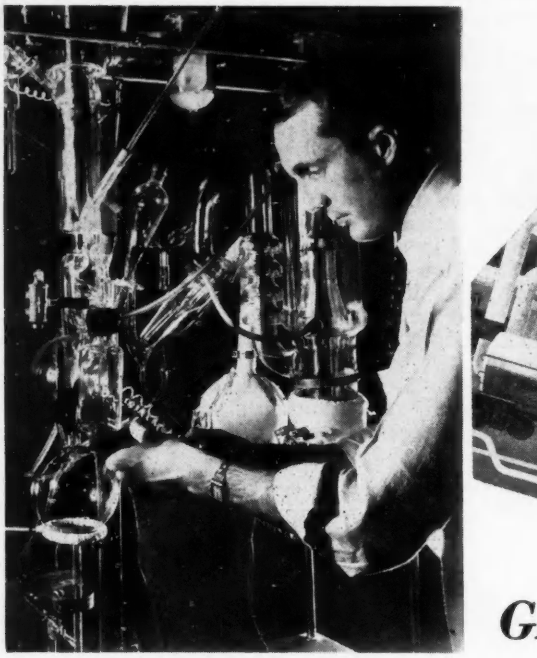
ABBOTT LABORATORIES sustained a drop in net profit to $8,702,000, or $2.21 a common share, last year against net of $9,220,000, equal to $2.35 a share, in 1953, although 1954 sales nearly equaled the $88,142,000 of a year earlier. The decline in profit was due in large measure to heavier expenditures for promotion and research, as well as to substantial losses on foreign exchange. Depreciation of foreign currencies last year cost the company $677,000 (18 cents a share), primarily due to a fall in value of Brazilian and Mexican currencies. Foreign operations are a vital part of the business, with about 30% of consolidated sales made outside this country. In 1954, an increase in foreign sales almost offset important declines in domestic markets, largely the result of a drop in Government orders. A better year is in prospect for Abbott. For the first quarter of this year domestic sales improved while foreign business remained about the same with the result that earnings were 15% ahead of the first three months of 1954. Abbott's net earnings for the 1955 period were $3,256,000, equal to 84 cents a common share, against $2,829,000, or 73 cents a share, in the corresponding 1954 period. Sales were up 6% at $25,715,000 from the $24,265,000 in the initial three months of 1954. Gross profit margins should rise because of a better product mix and improved operating economies. Abbott, whose largest single category of products is vitamins, has been stressing diversification and more than 70 new items were brought out in 1954. Operating costs have been trimmed by new and cheaper ways of making antibiotics, completion of a new warehouse at the main plant and increases in productivity in other branches of the business. Common stockholders have received dividends in every quarter since 1929, when the shares became publicly owned. Financial position is strong.

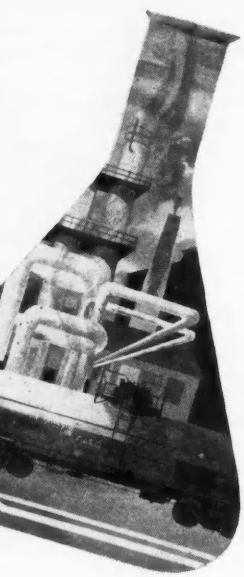
CANNON MILLS COMPANY this month sold at the year's low of 53⅜, after selling as high as 61 in 1954. Earnings for 1954 were relatively disappointing, showing net profit of $9,108,000, or $4.39 per combined share, on sales of $180,180,000. This compares with 1953 net of $10,269,000, $4.95 a share and sales of $183,360,000. Changes in accounting practices in 1954 resulted in decreasing net income for the year by about $350,000. Signs continue to strengthen that the textile industry as a whole, after sustaining a post-Korean slump, accompanied by price competition and curtailed production in many lines, has turned the corner. Renewed buying of many types of textiles has raised mill order backlogs to the highest levels in several years which, together with firmer and, in some instances, raised prices, indicate substantially higher profit margins and the possibility of moderately larger dividend payments by old-line firmly entrenched companies. Cannon is a fully integrated cotton textile manufacturer, from the spinning of raw cotton to the production and distribution to wholesale and retail trades of a diversified line of cotton fabrics. It is the largest domestic producer of towels, sheets and pillow cases, marketed under its brand name. Other items include tire fabric, yarn, draperies, grey (*Please turn to page* 435)

15 Post Election Laggards

	Closing Price Nov. 1, 1954	Price Range Nov. 1, 1954 to June 1, 1955	Earnings Per Share 1954	Current Indicated Div.	Recent Price	Div. Yield
Abbott Laboratories	41½	48⅜-39¾	$2.21	$1.80	43	4.1%
Allied Mills	35⅞	39⅞-34⅝	4.07	2.00	35	5.7
American Can	40⅜	45¾-38¼	2.53	1.55	42	3.6
American Stores	57¾	59½-49⅛	4.87	2.00(1)	50	4.0
Archer-Daniels-Midland Co.	38¾	46¾-38⅝	3.05	2.00	40	5.0
Atlantic Refining	33⅛	40¼-32⅝	4.47	2.00	34	5.8
Cannon Mills	53½	59 -53⅜	4.39	3.00	54	5.5
Carborundum Co.	31⅞	37 -30⅛	1.92	1.40	32	4.3
Deere & Co.	30¾	35¾-29⅞	2.76	1.75	33	5.3
Fairbanks Morse	21½	29⅝-20⅝	2.03	1.40	24	5.9
Homestake Mining	46⅝	49¾-39¼	.83	2.00	40	5.0
International Minerals & Chem.	36½	42½-33½	2.44	1.60	35	4.5
Kresge S. S.	29	32 -29	2.24	1.60	30	5.3
Union Oil of Calif.	48⅞	59¼-48¼	5.26	2.40	51	4.7
Victor Chemical Works	31⅛	37⅛-30¾	2.02	1.40	32	4.3

[1]—Plus stock.





American Cyanamid Company

GROWTH PROGRAM BEARING FRUIT

By ALLAN DARLEN

Earnings statements and balance sheets of a corporation are media of vital current information. There are however, other qualities pertaining to corporate entities that must be understood and weighed if an investor is to be able to properly evaluate a particular company and its securities.

Among the questions to which satisfactory answers must be found are the type of management; is it endowed, not necessarily with extra-sensory perception, but the ability to look forward? In short, is management aggressive within the proper sense of the word, strengthening the position already attained, expanding, through research, by developing new products and broadening diversification, and increasing and improving plants and equipment.

These attributes are the essential characteristics of a dynamic company; one that falls readily into the growth category. American Cyanamid Company holds a prominent place in such a classification. The growth it has achieved in the postwar years substantiates this most emphatically.

Beginning with 1946, the first full peace year after the Japanese military collapse, Cyanamid's net sales increased from $178.9 million to $388.7 million in 1951. In 1952, sales fell about 5% to $368.4 million with all of the decline taking place in the first nine months, reflecting the lower volume of foreign business and drop in U. S., sales which paralleled the lower rate of general business activity in that period. Cyanamid, however, demonstrating its strong recuperative powers, finished the year with a record fourth quarter in which net sales increased to $96.6 million, up from $88.4 million and $89.3 million in the third and second quarters respectively. In the following year, Cyanamid sales volume grew to $380.3 million, and continued increasing through 1954, to establish record high at $397.5 million.

Net earnings for that year, after allowing $1.3 million for preferred dividends, amounted to $25.7 million, equal to $2.95 per share of common stock. This also is after Cyanamid deducted from 1954, operating revenues a record sum of $23.6 million for depreciation, amortization and depletion, of which a little more than $5 million represented fast amortization write-off under Certificates of Necessity, and an additional $21.2 million, a new high figure for any one year, as research and process development expenses.

These figures are of great importance in a study of American Cyanamid being more significant than past earnings. Together with deductions for like purposes made in previous years, especially beginning with 1947, they provide a gauge by which to partly measure the length, depth and breadth of the foundation laid so far by Cyanamid under its long-range strategy for growth. Throughout all these years, increasingly greater emphasis has been put on research and process development. In the three years from 1947 through 1949, annual expenditures for these purposes averaged a little under $11 million. In 1950, Cyanamid gave up $12.3 million of operating income for research and process development. In the following year, expenditure for these purposes increased to $15.6 million, rising in each year thereafter to reach the record high set in 1954. From 1947 to the end of 1954, total research and process development expenses amounted to $110.7 million, a sum stressing the importance Cyanamid places upon research which includes the development of new products and processes, the improvement and refinement of existing products and processes, and the development of new uses for its products. Among outstanding research activities at the present time is that dealing with development of

products for the preservation of foodstuffs against spoilage, permitting their storage for indefinite periods of time.

Its active and energetic research programs embrace all nine divisions of the business operating 32 plants in 21 states and a total of nine plants located in India, Canada, Wales, Australia, South Africa and Mexico. Their output numbers hundreds of different products as well as various services. Through its Lederle Laboratories Division, Cyanamid is an important producer of broad-spectrum antibiotics, including "Aureomycin", streptomycin, and "Achromycin", the latter product, together with "Diamox", a non-mercurial diuretic, make up two important developments from research which were introduced to the medical profession late in 1953. Lederle Laboratories also produce a broad line of sulfa drugs, vitamin products, and other pharmaceuticals, vaccines and toxoids for human use. For the veterinary, it manufactures poultry vaccines, hog cholera and other animal vaccines; antitoxins, sulfa drugs and other pharmaceuticals.

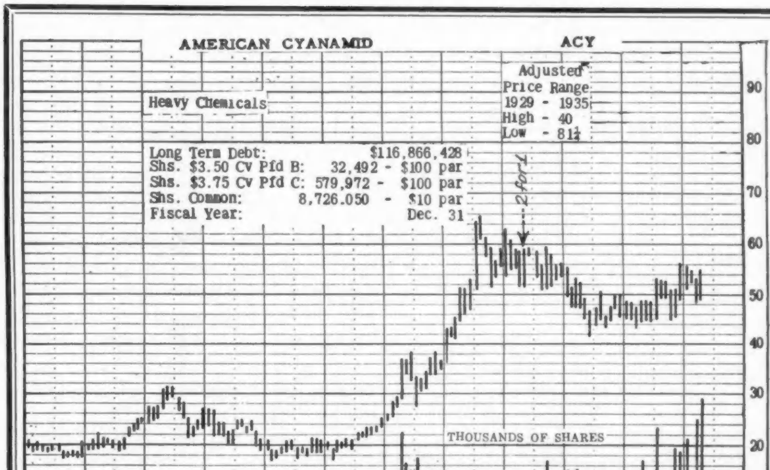
Broad Diversification in Chemicals

To cite the long list of products of Cyanamid's organic, agricultural, industrial and fine chemicals divisions, setting down names of such products as "acrylonitrile", "phthalic anhydride", or "xanthates", would not only bore the reader but convey little of significance to the average investor. More meaningful is the fact that Cyanamid's several chemical divisions manufacture a vast number of products for use by many industries. For example, there are products used as intermediates for synthetic rubber, fibers, and plastics, dyestuffs, pigments and their intermediates for use by the textile, leather, plastics, paint, printing ink, floor covering, food, cosmetics, petroleum and other industries; dynamite, blasting powder and accessories; fertilizer materials, insecticides, fumigants, and chemicals used in the flotation and concentration of minerals and precious metals.

Its fine chemicals division produces vitamins, bulk pharmaceuticals and specialty chemicals for animal feed, human food and pharmaceutical manufacturers. Through a wholly-owned subsidiary, it also manufactures a complete line of sutures, ligatures, and suture-needle combinations for the surgeon, and topical antibiotic dressings and packings, and other surgical specialties. Cyanamid's pigments division is a large and expanding producer of titanium dioxide and other organic and inorganic pigments for use principally in paints, printing inks, floor coverings, rubber, and coated fabrics. At the present time, its production of titanium dioxide is from the Gloucester City, N. J., plant which will be superseded by a new $15 million plant near Savannah, Ga., which when in operation some time this Fall will not only have greater capacity but is so designed as to permit expansion as conditions warrant. Further strengthening its position as a titanium dioxide producer is the fact that Cyanamid's own ilmenite ore deposits are a partial source of its raw material requirements. These deposits are in addition to sources of important raw materials used in manufacturing other products by the several chemical divisions. At Ontario, Canada, Cyanamid owns deposits of limestone used principally on the manufacture of calcium cyanmide at its Niagara Falls, Ontario plant; Bauxite, mined in large part from leased deposits in Arkansas and Georgia, is sold as such and also used by the company in the manufac-

Comparative Balance Sheet Items

	December 31 1944	1954	Change
		(000 omitted)	
ASSETS			
Cash & Marketable Securities	$ 43.157	$141.571	$+ 98.414
Receivables, Net	14.141	47.647	+ 33.506
Inventories	29.561	72.955	+ 43.394
TOTAL CURRENT ASSETS	86.859	262.173	+175.314
Net Property	36.286	213.162	+176.876
Invest. & Adv.	8.481	18.625	+ 18.144
Other Assets	2.306	5.977	+ 3.671
Intangibles	5.000	—	− 5.000
TOTAL ASSETS	$138.932	$499.937	$+361.005
LIABILITIES			
Curr. Debt Matur.	$ —	$ 5.087	$+ 5.087
Account Pay. & Accr.	15.962	35.237	+ 19.275
Tax Reserve	15.920	37.182	+ 21.262
TOTAL CURRENT LIABILITIES	31.882	77.506	+ 46.624
Reserves	6.617	1.193	− 5.424
Long Term Debt	25.218	108.250	+ 83.032
Preferred Stock	14.818	61.363	+ 46.545
Common Stock	27.070	87.229	+ 60.159
Surplus	33.327	164.396	+131.070
TOTAL LIABILITIES	$138.932	$499.937	$+361.005
WORKING CAPITAL	$ 54.977	$184.667	$+129.690
CURRENT RATIO	2.7	3.4	+ .7



ture of materials for the paper, food products and water purification industries.

Its Important Position in Plastics

This, so far, is only part of the American Cyanamid story. There is still to be added the entry of the company into various new fields and the rapid developments it has made through research in plastics and resins, and especially in molding compounds and polyester resins for use in the plastics molding industry in increasingly large quantities. The processes for producing the molding compounds as well as the monomethyl styrene which are new and patented are the fruits of several years of research in company laboratories. Ground breaking last January for plastics plant at Wallingford, Conn., marked Cyanamid's entry into the broad thermoplastic field.

Concurrently, Cyanamid scheduled new facilities at its Fortier Plant to manufacture a new intermediate chemical for use in the Wallingford operation which is expected to be "on stream" some time in 1956. The Fortier Plant, located at New Orleans, and costing approximately $52 million, represents the most modern facilities for the production of nitrogen compounds using natural gas as a raw material. Its output include ammonia, acetylene, sulphuric acid, hydrocyanic acid, and their end products, ammonia sulphate and acrylonitrile.

This plant is but one of a number of important additions in the postwar period Cyanamid has made to production facilities. Among these have been enlarged and improved facilities for the manufacture of "Aureomycin" chlortetracycline, "achromycin" tetracycline, animal feed supplements and other pharmaceuticals, pigments and dyestuffs, and oil cracking catalysts for the petroleum refining industry. The company, rated as the leading producer of such catalysts, only recently revealed that it had developed a new high-alumina catalyst which had proven, in extensive evaluation tests, its ability to produce more gasoline and other petroleum end products per pound of catalyst used than has hitherto been possible.

Speeding Up Commercial Production of New Products

Somewhat overshadowed by these major developments is Cyanamid's adoption of modern methods to accelerate the exploitation of new chemical compounds as they are developed by the research staff. This is accomplished by the use of highly diversified facilities installed at the Bound Brook and Warners, N. J., plants and designed to produce many types of new chemicals on a semi-commercial basis without disturbing normal plant operations. The benefits to be realized through these facilities are many-fold. By this method, Cyanamid will be able to assure customers of a dependable source of larger-than-usual quantities of new chemicals which have not yet become commercial; provide a means for evaluating such products in terms of their long-range commercial possibilities, and shorten the time required to bring a product from the "laboratory novelty" stage to profitable commercial production. Ready for production in the new facilities are more than twenty derivatives of acrylonitrile, the versatile chemical which Cyanamid pioneered in this country, and now being manufactured, along with a number of other new products at the new Fortier plant.

A measure of Cyanamid's growth in the last 8 years can be had from the expansion of its net property account from $57.9 million at the beginning of 1947 to $213.1 million at the end of 1954. Within the space of this period capital expenditures for modernization, new plants and other facilities have totaled $280.4 million. Last year, $39.4 million of this total were charged to capital account for additions and improvements to plants and properties. The two important projects involved in these outlays in 1954 were the Fortier plant and the new Savannah titanium dioxide plant. Among, what Cyanamid regards as smaller projects, are new facilities for the production of a new platinum catalyst for the oil industry; facilities to manufacture two chemicals, one being a new delayed-action accelerator, for the rubber industry, and at Witbank, South Africa, facilities to make cyanamid required in the production of calcium cyanide for the gold mining industry.

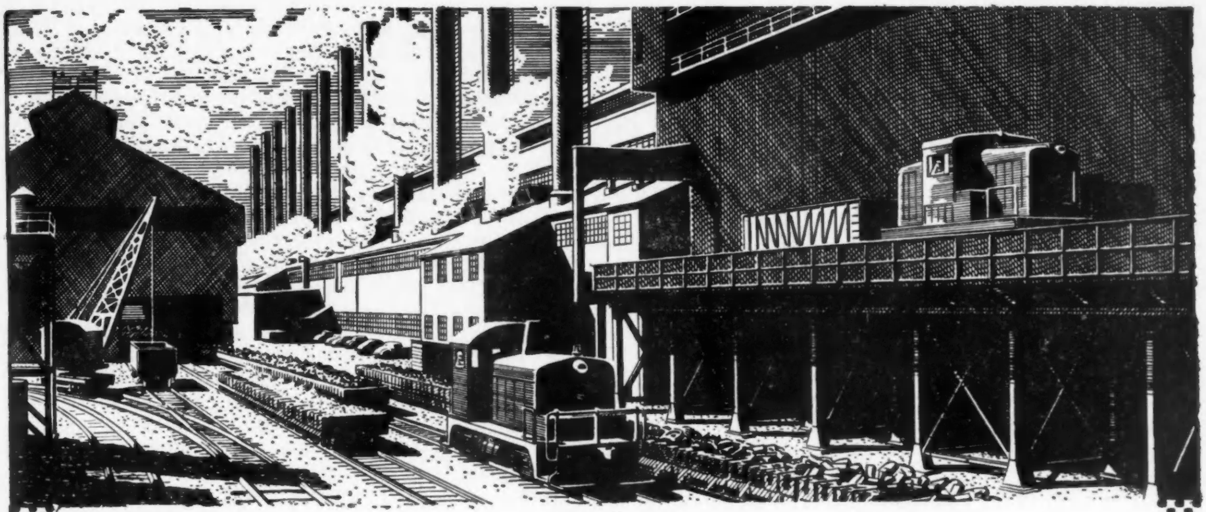
Important Interests in Associated Companies

To get a complete understanding of Cyanamid's policy of looking forward, it is necessary to add to its eight years capital additions the $110.7 million expended on research and process development. These two figures add up to $392.1 million, representing Cyanamid's investment in growth in both product diversification and productive capacity which now appear to be bearing fruit in the form of increasing net sales and (*Please turn to page* 440)

Long Term Operating and Earnings Record

	Net Sales (Millions)	Operating Income (Millions)	Operating Margin	Income Taxes (Millions)	Net Income (Millions)	Net Profit Margin	Net Per Share	Div. Per Share	Percent Earned on Invested Capital	Price Range High Low
1954	$397.5	$47.7	12.0%	$24.0	$27.0	6.8%	$2.95	$2.00	8.6%[1]	58⅝-43⅜
1953	380.3	45.1	11.8	25.0	27.4	7.2	3.15	2.00	11.0	55⅞-41⅝
1952	368.4	39.7	10.7	19.9	26.6	7.2	3.07	2.00	11.2	59¾-50½
1951	388.7	71.4	18.3	48.5	34.7	8.9	4.04	2.00	15.2	65¾-35⅝
1950	322.3	67.4	20.9	36.0	33.7	10.4	4.50	2.31	17.2	38¼-24½
1949	237.7	25.0	10.5	9.6	16.1	6.7	2.64	1.00	13.0	25½-17⅝
1948	231.9	15.9	6.8	6.0	11.8	5.1	1.92	.75	10.2	21½-16⅝
1947	214.5	13.5	6.3	5.5	9.1	4.2	1.48	.50	8.3	24¼-19¼
1946	178.9	12.2	6.8	4.9	8.6	4.8	1.45	.75	10.4	31⅞-20⅝
1945	159.0	10.4	6.5	5.0	5.9	3.7	.96	.62½	7.7	27⅝-23⅞
10 Year Average 1945-1954	$287.9	$34.8	11.0%	$18.4	$20.0	6.5%	$2.61	$1.39	11.2%	65¾-50½

[1]—To May 27, 1955



10 Attractive Low-Priced Stocks

By OUR STAFF

To say that the stock market during the last year or 18 months has been featured by transactions in high-priced common stocks comes close to being a wholly accurate statement. During that period, comments on the market have been replete with reference to "blue chip" issues and institutional buying of stocks in this category, all of which coincided with the action of the market in which such issues were the day-to-day leaders.

Although common stocks selling in the lower-priced brackets were not entirely neglected, they gained little in the way of prominence. Neither the volume of transactions nor their price trends could be considered spectacular by comparison with the increases scored by some of the higher-priced equities. However, it now begins to appear that an increasing number of investors are turning their attention to stocks in the low-priced group, seeking out issues selling within a \$15 to \$25 range, or slightly higher.

From the number of issues currently selling in this price range we have selected 10 that, upon careful analysis, appear to be attractive by reason of their improved prospects, added to which is the relatively good yield afforded by several of the selections.

Although none of the issues making up the list as presented herewith has attained investment status, the companies represented are well entrenched in their respective fields with 1955 first quarter net profits indicating a rising trend in this year's earnings. Brief comments in the following paragraphs pertain to each selection, and set forth pertinent data relative to each:

BURLINGTON INDUSTRIES, INC. is the corporate title adopted a few months ago by Burlington Mills Corp., to reflect the decentralized operations and greater diversification of business in the textile field in which the name "Burlington" and that of its subsidiary "Mallinson" are the most prominent. Last year, Burlington, long a leading manufacturer of fabrics and other products made from synthetic yarns through acquisition of controlling interest in Goodall-Sanford, Inc., and Pacific Mills, expanded its activities to wool and worsted fabrics, a wide range of cotton goods and textiles composed of blends of synthetic and natural fibers. Reflecting in part some of the immediate benefits of these developments as well as the much improved situation in the textile industry, Burlington's consolidated net sales, exclusive of those of Goodall-Sanford, for the six months to last April 2, totaled \$259.8 million. This compares with \$167.1 million for the like period of a year earlier. Net profit for the half-year ended early last April more than doubled, increasing to \$8.7 million from \$4.1 million a year earlier, equal to \$1.12 a share for the common stock, compared with 50 cents a share on the stock outstanding in early 1954, and \$1.35 a share for all of the fiscal year ended last October 2. The good prospects for continued gains from further improvement in the textile industry as well as the additional benefits which accrue to the company from its expanded diversification makes the common stock attractive at current price of 16 for nearer-term appreciation as well as for long-range growth. The stock on annual dividend basis of 60 cents a share, returns a yield of 3.7%.

CELANESE CORPORATION OF AMERICA in its income statement covering 1955 first quarter operating results reflected the upturn in demand for acetate yarns and fabrics, gains realized from growth of its chemical and plastic divisions, and the progress recorded in the market development of "Arnel", its new fiber spun from cellulose triacetate. These factors combined enabled Celanese for the

three months to last March 31, to show consolidated net sales of $45.8 million, a substantial gain over the 1954 first quarter in which volume totaled only $28.9 million. In sharper contrast still was the gain in the 1955 quarter net profits which aided by $802,900 of non-recurring profit from sale of investments reached $3.9 million. After allowing for preferred dividends this was equal to earnings of 47 cents a share for the common stock as against 19 cents a share deficit in the 1954 first quarter, and 32 cents a share net profit for all of 1954. Expected continued good demand for acetate yarns through the second and succeeding quarters of the current years should hold sales up close to first quarter level while increased prices effective last April 1 should widen profit margins. Augmenting prospects are the development of Fortisan-36 for industrial purposes, production of which is slated for later this year and the growing potentials of "Arnel", as well as further gains in sales of plastics in which Celanese holds an important position. In view of the improved near-term outlook, the common stock appears to have speculative appeal and considering the company's growth potentials in industrial fibers, chemicals and plastics has considerable attraction as a long-range holding. Currently dividends are being paid at a 50-cent annual rate, yielding 2.1% at present price of 23.

CHICAGO CORPORATION, together with its subsidiaries, is a fully integrated producing, refining and marketing unit in the oil and gas industry, operating refining facilities, pipe lines, bulk plants and service stations. At the end of 1954 it had approximately 168,000 acres in oil and gas production and about 1,340,000 acres of undeveloped leases. At the same time, its gas reserves were estimated at 1 trillion 604 billion cubic feet while crude oil and other liquids were calculated at approximately 60 million barrels. An outstanding development last year was the acquisition of the Champlain Refining Co., and its subsidiaries, the refining facilities of which are being augmented by construction of a $5 million platforming unit and a catalytic cracker. Reflecting the rapid strides made in expanding operations through acquisitions and increasing oil and gas production through drilling of additional wells, net sales and other revenues, within the three years from 1952 through 1954, have almost tripled, increasing from $16.4 million in the earlier year to $48.6 million last year. Net earnings for 1954, however, because of reduced allowances in several states and declines in market prices for gasoline and other products, did not move up in ratio, although reportable net of $5.3 million, equal to $1.51 a share for the common stock compared with $1.45 in 1953, and $1.20 in 1952. Indications are that 1955 first quarter operating earnings ran well ahead of the corresponding 1954 period, with net for the common stock equal to about 60 cents a share in the first three months of the current year. Greater integration of facilities acquired in 1954, together with further improvements in production, refining and other operations, plus increased gasoline output of higher quality made possible by the new catalytic cracker should add appreciably to future earnings. In the meantime, the 20-cent quarterly dividend appears secure and in view of indicated increased net income might be moderately raised before the year is spent. The common stock, currently quoted at 22, is priced to yield 3.6% on the present annual dividend, and appears to have good growth potentials.

COSDEN PETROLEUM CORPORATION, by comparison with the giants of the oil industry, is a small company but one with a remarkable record of growth, especially in the last decade. During these years, net income has increased 86%, or from $376,603, equal to 58 cents a share to a peak level for the year ended April 30, 1955, of $3.6 million, or $3.50 a share. This latter showing compares with net last year amounting to $2.8 million, equal to $2.78 a share for the outstanding 1,012,705 shares of capital stock. With its wholly-owned subsidiary, Cosden is a fully integrated unit in the oil industry, its operations embracing production, refining, and marketing. Its modern refinery of approximately 24,000 barrels daily capacity, together with fully integrated plant installations, produce aviation gasoline, jet fuel, petrochemicals, middle distillates and other desirable end-products, including straight-run gasoline, the latter being sold by independent jobbers under company brand names, although about two-thirds of automotive gasoline output is sold in bulk under contract to specifications of a number of major oil companies. Cosden, with current daily crude production of about 3,000 barrels has been increasingly active in exploring and drilling various

10 Attractive Low-Priced Stocks

	1953 Earnings Per Share	1953 Div. Per Share	1954 Earnings Per Share	1954 Div. Per Share	1955 1st Quar. Earnings Per Share	1955 Indicated Full-Year Div.	Price Range 1954-1955	Recent Price	Indicated Div. Yield
Burlington Industries	$ 1.09	$ .60	$ 1.35	$ .60	$ 1.12[2]	$ .60	19⅝-10⅜	16	3.7%
Celanese Corp. of America	1.03	1.25	.32	.62½	.47	.50	26⅜-16¼	23	2.1
Chicago. Corp.	1.45	.80	1.51	.80	.60	.80	27⅛-18½	22	3.6
Cosden Petroleum	2.31[5]	.75[6]	2.78[5]	1.00[6]	3.50[5]	1.50	29½-12¾	28	5.3
Erie R. R.	2.51	1.75	.75	1.50	.51	1.50	24¾-16⅛	23	6.5
Loew's Inc.	.85	.80	1.28	.90	.34[4]	1.00	22 -13¼	20	5.0
Marine Midland Corp.	1.28	.60	1.26	.72½	.30	.80	20¼-12½	18	4.4
Merck & Co.	.96	.80	1.09	.80	.35	.80	30¾-17¾	24	3.3
Pabco Products	.90	.25	1.15	.25	.34	.25	28¾-14⅝	26	.9
Raytheon Mfg.	1.53	—	1.39	....[1]	.48	....[3]	25¾- 7¾	23	—

(NA)—Not available.
[1]—Paid 10% stock.
[2]—6 months ended 4/2/55.
[3]—Uncertain.
[4]—16 weeks 3/17/55.
[5]—Year ended April 30.
[6]—Plus stock.

oil acreages among its fee-owned and leasehold lands totaling approximately 95,000 acres in Texas and other states. Cash dividends since 1950 have increased from an annual rate of 60 cents to $1.50, the most recent increase being made in April this year from the previous $1.00 a share annual rate. Shareowners have also received several stock dividends, the latest such distribution amounting to 25% in August, 1954. While the stock of the company appears to have good near-term market possibilities, the issue has appeal more as a long-term holding based on its promising growth potentials. The shares, currently quoted at 28, are priced in the market to yield 5.3%.

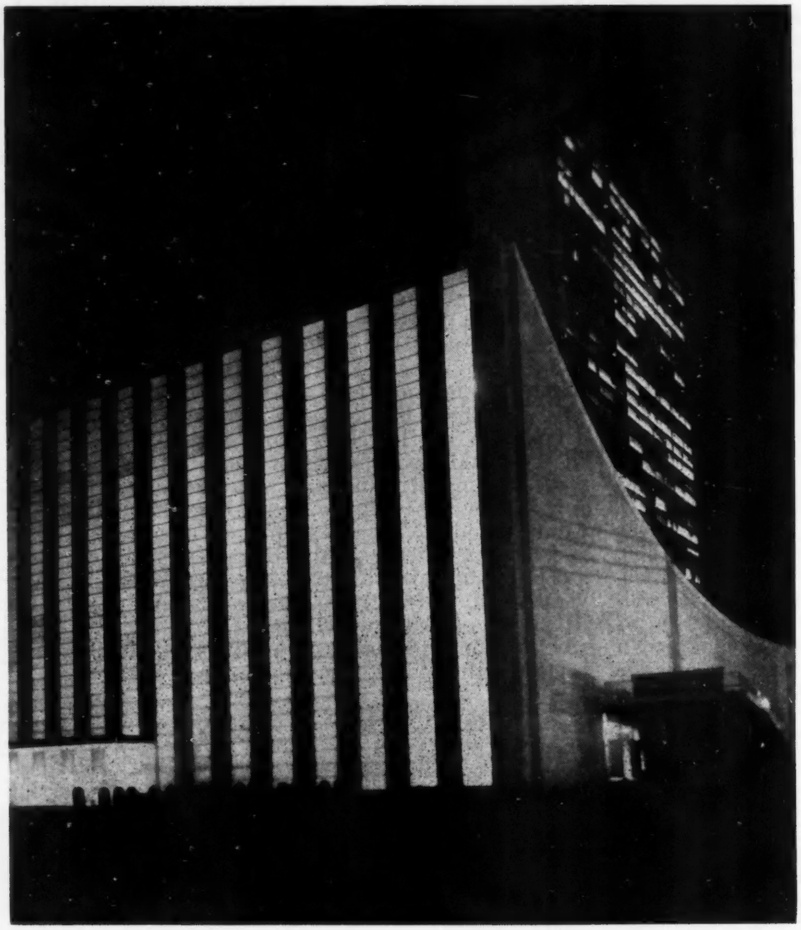
ERIE RAILROAD, balancing 1954 total operating revenues with operating expenses and other charges, reported net income equal to 75 cents a share. This showing was disappointing alongside the $2.51 of last year and the 1952 net of $2.85 a share. Its experience last year followed the pattern of nearly all Class I carriers, its operating revenues declining by $29 million as a result of the drop in freight movements, accentuated by somewhat lower steel industry operations. The outlook for 1955, throughout the road's territory, warrants the expectation that net income for the year should be well above dividend requirements at the current rate of 37½ cents quarterly. Aiding the road in making an improved showing for the current year is the smaller volume of $5 preferred stock outstanding following its offer to exchange that issue for 5% debentures with about 60% of the shares turned in for the latter issue. The speculative appeal of Erie common is enhanced by the current annual $1.50 dividend rate which at the present price of 23 for the stock yields 6.5%.

LOEW'S, INC., the largest of the motion picture producers, seems to be well positioned to benefit from the resurgence in motion picture attendance and improved profit margins resulting from the advances achieved in production techniques as well as closer control over operating expenses. Paralleling the rise in theatre attendance in 1954 that carried the weekly volume close to 80 million from 40 million in early 1953, is the growing importance of the foreign market for U. S. films part of the demand for which Loew's supplies through its 41 theatres located in Europe and South America. These, of course, are in addition to the approximately 115 houses it operates in this country and Canada and which will not be divorced from its other operations until 1957. Although consolidated earnings for the 16 weeks ended April 17, this year, equal to 34 cents a share, were disappointing when compared with the 40 cents earned in like 1954 period, releases during the second quarter of the calendar year are expected to materially improve on this showing and its broadened schedule of CinemaScope production, together with earnings from other operations, including its record division, one of the most profitable in the industry, should enable Loew's this year to show 1955 earnings well over the $1.28 a share it reported for the 1954 fiscal year. The current dividend of $1.00 annually, appears secure and affords a yield of 5.0% on the stock which is speculatively attractive at its present price around 20.

MARINE MIDLAND CORPORATION, a bank holding company, owns 10 banks operating 136 branches in New York City, Rochester, Buffalo, Utica, and 60 other New York State communities, many of them being located in highly industrialized areas. At the close of 1954, the combined deposits of these banking institutions totaled $1 billion 623 million. Loans and discounts amounted to $597,177,415, a gain of 14.3% over 1953, while home and other mortgage loans totaled slightly more than $181 million. Marine Midland's record during the last decade has been one of steady growth, consolidated net operating income increasing from $4.8 million, or 85 cents a share of common stock for 1945, to a 1954 record high of $8.6 million, equal to $1.26 a share on a greater number of shares outstanding following elimination of 4.25% preferred stock by redemption and conversion. The outlook for continued growth is bolstered by expected normal expansion of New York State's population and in industrial activity, the pace of which is likely to be accelerated with the completion of the New York State Thruway and the eventual development of the St. Lawrence seaway. Marine Midland has already made provision for an increase of approximately $20 million in capital funds to take care of present enlarged business and expected growth. Dividends on the common stock, inaugurated in 1929, have been paid in every year since. Currently payments are at annual rate of 80 cents a share which on the present price of the stock around 18 yields 4.4%. This is an attractive issue worth holding for long-range growth.

MERCK & COMPANY, INC., is one of the foremost names in the ethical drug field, producing a broad line of fine chemicals, pharmaceuticals, antibiotics, etc., as well as agricultural and industrial chemicals. For almost two decades, its record was one of consistent growth in sales and earnings until 1951 when competitive price-cutting in leading product groups reduced revenues to where in 1953 earnings for the common stock fell to 96 cents a share from $4.46 in 1950. Indications are that by reducing operating costs through improved processes and lowering of expenses, Merck has improved its profit margins and further strengthened its position by the addition of several new products in the fields of human and veterinary medicine, agriculture and industry. Although dollar volume of sales, reflecting lower prices for many products, amounted to only $145.4 million last year, in comparison with 1953 volume of $160 million, consolidated net income for 1954 reached $12.6 million or $1.09 a share of common compared with $11.3 million, or 96 cents a share for the previous year. This uptrend continued through the 1955 first quarter, net income for the period, excluding unremitted foreign earnings, increasing to $3.9 million or 35 cents a share for the common stock from $3.5 million, equal to 31 cents a share in the like 1954 period. Merck's emphasis on research should continue, as it has been in the past, to form part of the foundation for its continued growth in the ethical drug field and in products for agriculture and industry. The current dividend of 80 cents annually on this good grade equity appears secure and at present price around 26 for the stock yields 3.3%. While growth may not be as rapid as in earlier years, the issue may be purchased and held for its long-range potentials.

PABCO PRODUCTS, INC., although it ranks as one of the smaller manufacturers of linoleum, floor coverings, gypsum (*Please turn to page* 436)



3 Giants of the GLASS INDUSTRY

By FRANK R. WALTERS

The gospel of research, engineering and development combined with a philosophy of dynamic expansionism and blessed with the greatest growing economy mankind has ever seen have transformed two substantial companies into a pair of giants with enough left over to produce a third. Although the glass industry, which spawned the interlocking interests of the three behemoths, is thousands of years old, the business they have developed has only come of age in the forward-surge of present-day America.

Corning Glass Works, oldest of the trio, has had an amazing growth, especially in the years following World War II, turning out bulbs for the television industry, dinnerware for the home and a variety of items for industry. *Owens-Illinois Glass Co.*, mightiest of these giants, is this country's top maker of bottles and has a bewildering array of other interests. These two giants, Owens and Corning, in 1938 spawned a third mastodon which has become a fabled success story in a great growing industry. *Owens-Corning Fiberglas Corp.*, to give the offspring its full title, was organized that year to continue the development of fibrous glass products. Its parents now own 1,050,000 common shares each, giving them in combination a two-thirds interest in O-C. The remaining one-third, owned by some 7,500 other stockholders, was sold off to the public in 1952. Long before that, however, a Federal court ruled that neither of the giant stockholders could participate in management of O-C except to vote their respective holdings for election of directors approved by the court.

In 1939, the first full year of work for O-C, sales amounted to $3,879,000 and a net loss of $11,555 was sustained. O-C got rolling after that and sales, roughly, were doubled in each of the three succeeding years with no further recourse to red ink. It now is a highly important contributor to the over-all earnings of the fostering firms.

Thus, Corning Glass Works for 1954 received dividends of $787,500 from O-C, compared with $630,000 obtained from its offspring in 1953. Value of its investment at the start of 1955 was $72,175,000 in excess of the amount at which it was carried on the books.

Since glass is more than 5,000 years old and the art of glass-making was known to Egypt before the Hebrew exodus, it is reasonable to wonder why this latter-day growth of an ancient basic material. The answer, of course, is to be found in American laboratories whose engineers and researchers sought new uses for the product and better ways of making it — and in the offices of corporate leaders who had the courage to underwrite these developments. The strides made by glass fiber, as an example, in the past 20 years would not have been possible without this imagination and venturesome spirit.

Since glass fiber got into production it has gradually moved on to new pastures, taking over chores

WALLS OF LIGHT EIGHTY FEET HIGH — The illustration above shows how translucent panels of Corning's photosensitive glass are used for the first time as a structural material in the United Nations General Assembly Hall.

Comparative Income & Dividend Payments

	Corning Glass Works	Owens-Corning Fiberglas	Owens-Illinois Glass
1946—Earnings per share	$ .40	$ .17	$4.53
Dividend per share	$ .20	—	$3.50
1947—Earnings per share	$ .29	$ .15	$4.58
Dividend per share	$ .20	—	$3.00
1948—Earnings per share	$ .50	$1.30	$3.38
Dividend per share	$ .20	—	$3.00
1949—Earnings per share	$1.02	$ .88	$5.38
Dividend per share	$ .40	—	$3.00
1950—Earnings per share	$2.61	$2.93	$7.96
Dividend per share	$ .80	$ .33⅓	$3.25
1951—Earnings per share	$1.48	$2.25	$5.57
Dividend per share	$ .80	$ .33⅓	$4.00
1952—Earnings per share	$1.51	$1.62	$5.30
Dividend per share	$ .80	$ .60	$4.00
1953—Earnings per share	$1.87	$1.71	$5.32
Dividend per share	$ .80	$ .60	$4.00
1954—Earnings per share	$2.59	$2.68	$7.05
Dividend per share	$1.20	$ .75	$4.00
Price Range 1954-1955	73½—35	97½—50	131½—77¼
Recent Price	71	93	117
Dividend Yield	1.7%[1]	.8%[1]	3.4%[1]

[1]—**Based on 1954 div. rate.**

NOTE: Owens-Corning Fiberglas Corp. was formed in 1938 by Owens-Illinois Glass Co. and Corning Glass Works to continue development of fibrous glass products. Owens-Illinois and Corning Glass Works own 1,050,000 shares apiece. These are the principal stockholders although the courts have ruled neither is permitted to participate in management of company except to vote their respective holdings for election of directors approved by a federal court.

once performed by wood, metal and textiles. In addition, this light but tough material has made possible hundreds of new products and better ways of turning out old ones. Biggest present use of glass fiber is in the insulation field and largest potential is as a reinforcing agent for plastics. In the latter form, entire car bodies can be made of glass fiber combined with resins. Already, plastic reinforced with glass fiber is being used in such varied items as golf clubs, fishing rods, swimming pools, aircraft and awnings. A detailed study of O-C follows:

Owens-Corning Fiberglas

The glass fiber industry at the close of World War II was a trifling business, toting up to a little more than $30 million per annum. By 1954, the volume had bounded up to around $170 million in this industry, dominated by O-C. The company last year racked up record sales of $136.5 million, about 80% of the whole market. Additional expansion is the prospect for this outstanding growth company. This trend, continuing into 1955, showed sales for the first three months at $33,938,000 and net profit at $1,883,000, or 60 cents a share. This compares with year-ago volume of $30,740,000, brought down to net of $1,704,000, equal to 54 cents a share.

Sales in practically all lines of its products ran ahead of those for the first three months of last year and total shipments were higher than those for any previous initial quarter in the history of the company. Cost of sales was somewhat lower but operating expenses were substantially higher, mainly because of increased advertising and higher expenditures for sales and for research and development. Sales for the first month of the second quarter of this year are believed to have topped any previous month of 1955 and indications are the second quarter will be substantially ahead of the first three months.

At the close of 1954, working capital was at an all-time high of more than $40 million. Dividend payouts have been on the conservative side, owing to the large capital needs of the company. The stock, split 4-for-1 in 1950 and 3-for-1 in 1951, now is on a 25-cent quarterly basis.

O-C is not overlooking the fact that competition for this great growing market will stiffen in the years ahead. A tough rival already has emerged as a consequence of the merger this year of L-O-F Glass Fibers Co., a subsidiary of Libbey-Owens-Ford, and Glass Fibers, Inc., an independent producer long on know-how but short on capital. But O-C is not worried because it expects the market will grow as fast as the competition. By 1960, when industry sales are expected to reach $300 million, the company figures its sales will reach $250 million — nearly double the 1954 volume .

Since glass fiber is a relatively new industrial material, some mention of the manufacturing process may be worthwhile. Basic raw materials are sand, aplite, lime, borax and soda ash, all of which are available to the industry in ample quantities. In addition to these basic raw materials, the industry uses large quantities of resins, oils, bitumens and paper. Basic raw materials are mixed in batches according to the formula for the end use of each product and are melted at extremely high temperatures to form glass.

The product mix is so varied that O-C virtually serves industry across the board. Thus glass fiber wool products are used principally as thermal insulating material and as sound-absorbing material. They are made from fibers of specially formulated glass, gathered into a wool-like, fluffy, lightweight mass which looks like fleece or cotton and has a normal density of 1½ pounds a cubic foot. Markets for wool products lie in such varied fields as building, appliances, transportation and factory application (insulating ducts, pipes, tanks and the like). Owens-Corning Fiberglas strands, yarns and cords, sold for use in a wide variety of industrial and textile products, have found their primary markets as electrical insulation, as reinforcement for plastics, as reinforcement for papers and rubber products, and in decorative and industrial fabrics. Its lightweight Aerocor is made for the aircraft industry, which uses the item for thermal and acoustical purposes. Aerocor also is used in the automotive and other industrial fields.

Fiber-glass textiles did not catch on until O-C, in 1948, learned how to overcome the stiff feel of these fabrics. By heating them to 1,200°F., at which point the fibers soften slightly and sag snugly around each other, the obstacle was overcome. Since then, backed by heavy promotion, fiber-glass decorative fabrics have come into vogue. Total sales of these products, including industrial fabrics, reached $30 million last year — about double the 1950 volume.

O-C also found that small amounts of fiber glass — often less than 1% — will strikingly alter the properties of familiar materials. In gypsum board, ¼ of 1% of fiber glass raises the strength and fire resistance significantly. Since gypsum is made in vast quantities, potential market for fiber glass in this single use is several million pounds annually.

Research, engineering, and product and process development are fundamental concepts of the O-C

business. Its continuing long-range objectives are to broaden and expand the uses of fiber glass as a basic material in present or new forms. The company's 1954 net capital investment in new and improved facilities and equipment was $4.9 million. Its plans envision expenditures this year in excess of $6 million for capital outlay. In addition, engineering plans are underway for new plant and laboratory facilities, with construction probable before yearend.

Glass-fiber enthusiasts rate close to atomic-power adherents in singing the praises of the product. Just as the atomic men see this new power replacing oil, so the glass-fiber followers view this product as a replacement for steel in mass-production fields. They particularly look to the automotive industry as a field where glass fiber one day will vie with steel as an important component.

Fact is the product currently costs some eight times as much as sheet metal and the automobile industry doesn't anticipate any radical price fall in the near future. In addition, methods of processing glass fiber are more complex and costly than is the case with sheet metal similarly used. The experience of Chrysler Corp. is a case in point. That company experimented with glass fiber for several years before deciding to employ it as molding on the rear windows of its station-wagon lines. Even after years of research, wrinkles remained. The plastic trim had to match metal on front windows and it cost the company four times as much as anticipated to finish the plastic to resemble metal.

The other two members of the automotive Big Three also have dipped into the glass-fiber field. Indeed, one of the best known uses of the glass-plastic combination has been in the body of the Corvette, a sleek sports car produced by Chevrolet. Maker of the body is Molder Fiberglass Co. of Ashtabula, O. About 6,000 of these cars have been produced. Ford Motor Co. is using a glass fiber plastic top for its Thunderbird, a high-priced sports job. This plastic top, weighing about 60 pounds, is somewhat heavier than a metal top, but Ford favors it for durability and corrosion-resistant qualities. Ford also is using fiber-glass trim in lieu of wood at considerable savings in material costs.

O-C finds production of sports cars using reinforced plastic bodies has leveled off, but is being continued. While the car bodies have stood up well in service, their costs of manufacture have been excessive, partially reflecting inexperience in design and fabrication. The company's reinforced plastics, however, are being used increasingly in the automotive field, for passenger-car and truck components, station wagon trim, for building prototype models and for low-cost, efficient tooling.

Use of the material in this glamour field has, of course, brought priceless publicity to the makers of glass fiber. But Owens-Corning figures to derive its major growth over the near term from the insulation field. Indeed, its plans call for expansion of insulation output by 25%.

Owens-Illinois Glass Co.

Owens-Illinois, the daddy of these three giants making glass history, accounts for about 37% of the bottle-making market. While it is barred by court ruling from management of O-C, it appears that enough of the aggressive research, merchandising and know-how that characterizes its growth has rubbed off onto its offspring.

In 1930, sales of Owens-Illinois totaled a mere $38 million and the country was headed into a deep depression. In 1933, the Eighteenth Amendment, which throttled the distilling and brewing industries, went by the boards and the glass-makers were off on a spree of their own. By 1935, sales were up 50% from the 1930 figure and they have, with few interruptions, climbed ever since, reaching a record $336,709,000 last year. Net profit of $21,539,000, equal to $7.05 a common share, was second highest in the history of the company.

The glass-container industry has been growing at an annual rate exceeding 3%, requiring some 1.6 billion pounds more glass in 1954 than in 1950. Last year, the industry turned out more than 18 billion bottles and jars whose total value was about $600 million.

Owens-Illinois has designed a new bottle-making machine that should cut costs substantially and lead to a rise in use of bottles. The company also is seeking new ways to popularize glass as a building material.

The company is highly diversified. Besides its huge stake in O-C, it owns 500,000 shares of Robert Gair Co. common stock. Gair is a large maker of paper boxes and other paper products. The company also owns 75,000 shares of Container Corp. of America, which manufactures many types of paper products. Owens-Illinois holds 33,831 shares of Pennsylvania Glass Sand Corp., a profitable producer of silica sand, one of the principal raw materials used in the manufacture of glass. In 1953, Owens-Illinois invested $8 million in Plax Corp., a pioneer producer of plastic products. The company also has considerable natural gas properties, carried on the books of Owens-Illinois at $1,635,000.

Owens-Illinois has paid dividends in every quarter since the company was formed in 1907. Dividends have been on the modest (*Please turn to page* 348)

Comparative Balance Sheet Items

(Figures are in million dollars except where otherwise stated.)	Corning Glass Works	Owens-Corning Fiberglas	Owens-Illinois Glass
CAPITALIZATION:			
Long Term Debt (Stated Value)	$ 10.0	$ 26.1	$ 50.0
Preferred Stocks (Stated Value)	$ 7.6	——	——
Number of Common Shares Outstanding (000)	6,647	3,138	3,056
BALANCE SHEET: (Fiscal year ended)	1/2/1955	12/31/54	12/31/54
Cash and Marketable Securities	$ 47.0	$ 20.1	$ 62.4
Receivable, Net	$ 9.8	$ 15.1	$ 23.6
Inventories, Net	$ 15.7	$ 13.9	$ 42.8
Current Assets	$ 73.5	$ 49.3	$128.9
Current Liabilities	$ 32.1	$ 9.2	$ 43.2
Net Working Capital	$ 41.4	$ 40.1	$ 85.7
Fixed Assets, Net	$ 40.2	$ 47.6	$105.2
Total Assets	$122.4	$ 98.5	$258.2
Cash Assets per Share	$ 7.07	$ 6.42	$ 20.43
Current Ratio (C. A. to C. L.))	2.3	5.3	3.0
Inventories as Percent of Sales	10.6%	10.2%	12.7%
Inventories as % of Current Assets	21.4%	28.2%	33.2%
Total Surplus	$ 56.2	$ 44.0	$120.1
Book Value per Common Share	$ 10.46	$ 18.95	$ 79.42

THE EDITORS'

INVESTMENT CLINIC

Case No. 8

The "Capital Gains" Problem

Almost everyone is familiar these days with the term "capital gains" but, aside from accountants and other highly expert professionals in the investment business, surprisingly few investors really understand what the capital gains tax is and how to use it properly. This lack of understanding, however, unfortunately does not prevent large numbers of investors from allowing the capital gains tax to unduly dominate their investment thinking, often to their disadvantage.

In order to make this perplexing subject clearer to the ordinary investor we present in this issue of "The Investment Clinic" the major rules which should be followed in the employment of the capital gains tax on security transactions. As the rules for "traders and dealers" are different from those applying to individual investors (and to corporate investors), only those rules applying to non-professional investors—that is to say, the ordinary individual—are discussed here.

Definition of Capital Gains

A capital gain is the profit on anything sold other than merchandise. Conversely, a capital loss is a loss on anything sold, other than merchandise. Profits and losses on stocks and bonds are an obvious example of where the tax applies.

The important thing to remember about the capital gains (or loss) tax is that it is based on the length of time the securities are held, depending on whether they are held for more or less than six months. If they are held for more than six months, profits are subject to a 25% tax. If they are held for less than six months the normal tax—as ordinary income.

Since the capital gains tax is 25% (on all securities sold after being held for more than six months) and the regular income tax rate can go as high as 91%, it would seem an advantage to hold securities for six months or longer. Yet, whether there is an advantage or not, depends on the income bracket of the individual. If you have an income of not more than $16,000 ($32,000 if you are married and file a joint return) your over-all tax is less than 25%. In such a case, there would not necessarily be an advantage in waiting for the 6-months period to expire, since the tax rate would be approximately the same in both instances. Yet many people blindly wait for the 6-months period to end without studying whether this is an advantage or not.

Suppose you are in the $16,000 bracket or less (with an overall tax rate of less than 25%, depending on the bracket) and you hold stocks with a good short-term profit (less than 6 months). If you wait for the 6-months period to pass in order to get the tax saving on the profit you may, in the meantime, have sacrificed a good opportunity to accept worthwhile profits because by the time the 6-months period passed, the stock may have lost a good part of its advance in the market.

Take a simple example. Suppose you are in a moderate income tax bracket and you have a short-

(*Please turn to page* 430)

SOME IMPORTANT DETAILS OF CAPITAL GAINS TAX

1) Gains are taxed two ways:
   a) Long-term (6 months or over) at flat 25% rate
   b) Short-term (less than six months) at ordinary income tax rates
2) Long-term losses balance long-term gains —Short-term losses balance short-term gains. The net is what your capital tax is based on.
3) You can carry forward net losses for five years, prorating them at a maximum of $1,000.00 a year. This is used to offset profits.
4) The higher your income bracket the more you save in taxes by applying losses against profits.
5) Do not allow tax considerations to unduly influence your judgment on your securities. Generally speaking, if these securities should be held, hold them regardless of the tax factor. If they should be sold for intrinsic reasons, do not allow the question of tax savings to bother you, but sell them. Do not ignore the tax factor, but use it in such a way as to benefit you without jeopardizing your security position.

FOR PROFIT AND INCOME

Summer Rise?

At this writing the Dow industrial average has risen about 23 points from its mid-May reaction low, bettered its May closing level by about 12 points, and extended the prior bull-market high, recorded in April by a modest 6 points or so, which is a nominal percentage at the average's present exalted level. Rails are still a shade under their April high, but up nearly 7 points from the May low and less than 2 points from their May closing level. So far, this is better than average June performance. By using up technical strength, it could borrow something from normal July-August summer rise. If the previous zig-zag 1955 pattern is to be maintained, some correction is in order or soon will be. If the rise shows signs of gathering momentum, with continuation of recent sharply broadened trading activity, the monetary authorities will "crack down" with another boost in margin requirements. That, combined with an impaired technical position, could induce greater correction than would otherwise be needed. Either way the market's limit is short of the sky.

Margins

A bull market is influenced more by basic economic-financial factors and the state of confidence than by margin requirements. It is debatable whether past advances would have run further had margin not been raised. Maximum use of the margin control weapon, a boost to 100%, came late in the 1942-1946 bull market: to wit, on January 21, 1946, after the bull market had already run for the better part of four years, and the Dow industrial average had risen about 110%. Thereafter the bull market continued for only some four months and the further rise was less than 9%. However, it might have topped out at a not greatly different level, or time, on 75% margins or 50% margins. Yet the evidence suggests that 100% margins either stopped the then excessive speculation in "cats and dogs" in its tracks, or hit it when it was very close anyway to the point of maximum vulnerability. That section of the list topped less than two weeks after 100% margins were imposed. Margins were boosted from 40% to 50% in early February, 1945; then to 75% in early July, 1945. For what it is worth, nearly half of the total rise in the industrial list came after the first margin boost; and about 40% of it came after the boost to 75%, which compares with 70% at present. Over half of the entire 1942-1946 rise in the "cat and dog" section came after margins were put up to 75%. Regardless of margins, it is to the good that in no phase of this bull market to date has the public splurged in low-priced speculative stocks to anything like the extent of late 1945 and early 1946, or of 1928-1929.

Groups

Among the strongest stock groups in recent trading up to this writing are aluminum, air lines, automobiles, building materials, chemicals, coppers, farm equipment, machinery, office machines, oil, paper, department stores, mail-order stocks, steel, rayon, motion picture stocks, and tires.

INCREASES SHOWN IN RECENT EARNINGS REPORTS

		1955	1954
American Metal Co.	Quar. Mar. 31	$ .82	$ .27
American Radiator & S. S.	Quar. Mar. 31	.40	.28
Chrysler Corp.	Quar. Mar. 31	3.96	.88
Columbian Carbon Co.	Quar. Mar. 31	1.03	.80
Curtiss-Wright Corp.	Quar. Mar. 31	.91	.39
Minnesota Mining & Mfg.	Quar. Mar. 31	.91	.64
Cerro de Pasco Corp.	Quar. Mar. 31	1.27	.27
U. S. Gypsum Co.	Quar. Mar. 31	5.42	3.99
Paramount Pictures	Quar. Apr. 2	1.31	.63
Hershey Chocolate	Quar. Mar. 31	.90	.64

Leadership

The recent upside leadership of the market has been generally good, although that is not to say that demand for better-grade stocks has been by any means the whole story. If somewhat less exuberant than in earlier upswings, speculation is certainly not absent, as indicated by the sizable number of secondary or lower-grade equities recording new highs. But against that, special strength can be cited in the following issues, ranging in quality from above-average to high grade: Allied Stores, Aluminum Company, Armco Steel, Beatrice Foods, Caterpillar Tractor, Champion Paper, Dow, DuPont, Commercial Credit, Continental Oil, Eastman Kodak, Heinz, Hercules Powder, International Paper, International Nickel, Kennecott Copper, Life Savers, Minneapolis-Honeywell, Minnesota Mining & Mfg., National Lead, Pittsburgh Plate Glass, Scott Paper, Seaboard Finance and Union Carbide. Some recent "soft sisters" include American Stores (due to a poor earnings report); and such issues as American Motors, Continental Motors, Fedders-Quigan, Studebaker-Packard.

Strong Hands

Stocks generally pass to some extent from strong to weaker hands at advanced market levels. However, the higher the price of a given stock, the less are little investors inclined to buy it; and the more difficult becomes distribution by such big investors as might wish to reduce holdings. For example, the latest available figures, covering the quarter ended December 31, show a small decline in the number of shareholders of General Motors. To that extent, holdings shifted from weaker to stronger hands, reflecting the stock's lack of appeal for "little people" at prices around 90 or above. That would be more true now, with the issue at 100. It could be made a moderate-priced stock by a two-for-one split, but there are already nearly 92 million shares outstanding. The latest available report also showed some shrinkage in U. S. Steel shareholders, no doubt for the same price-level reason. Since then, however, the stock has been split two for one. This makes it more attractive to little people, so probably total number of shareholders is now rising. From the point of view of actual value, this has its absurd side. The old stock was obviously a better buy at 80 than is the new stock at 48, which is equivalent to 96 on a pre-split basis. The price level may be more "moderate", but on this comparison the stock is actually 20% dearer in price.

Equalizer

On intrinsic factors, one stock may be more attractive than another; but most people are too prone to ignore the extent to which difference in market prices is the equalizing factor. The more attractive stock can be, and often is, over-priced; the other may be more reasonably priced. To illustrate, Pfizer has considerable merit as a growth stock; but at 47 you pay nearly 14 times earnings for it, and get a dividend yield of only 2.9%. National Acme, a machine tool issue, is a cyclical stock, subject to considerable swings in earnings; but at 56 you pay only about 9 times earnings for it and get a dividend yield of about 7%. Finances are stronger and more liquid than those of Pfizer. Both stocks fluctuate. For instance in the minor 1946-1947 bear market, Pfizer fell 53%, National Acme 50%. From 1951 high to 1953 low, Pfizer fell 44%, National Acme 24%. Our purpose is not to urge purchase of the latter or sale of the former, but to emphasize that difference in market prices can be as important, often more so, as difference in basic investment quality. Allowing for the uptrend in industrial capital outlays and the long-term emphasis on automation, the cyclical National Acme is probably the cheaper of the two. Most growth stocks are over-priced, partly because institutional buyers, using other peoples' money on a dollar-averaging basis, don't care much what price they pay.

Interruption

The management of Carrier Corp. estimates that there is a potential $14 billion market in long-term air conditioning of homes. We do not doubt it. There is also important further growth ahead in commercial-industrial air-conditioning, in which Carrier is the leading specialist. But the whole field is highly competitive, it has been suffering from over-production and pressure on margins even under present boom conditions, it is subject to setbacks under adverse general business conditions, and the equipment is subject to radical technological change. The home heating-cooling unit of the future might be the heat pump. It might be an atomic-energy device. Meanwhile, Carrier had a profit shrinkage to $2.09 a share in the six months ended April 30, from $2.26 in the year-ago period. For the year ending October 31, earnings probably will be somewhat under the prior year's $4.69 a share. If you want to speculate on the future of air conditioning, the stock, currently at 58, is still the logical No. 1 choice; but the considerations we have cited emphasize that the company is not on a one-way "growth road" — neither is any other company, for that matter — and that the issue is a speculation, not an investment.

Insider Holdings

Some people are partial to stocks in which officers and directors own large holdings, and suspect that there may be something the matter with a company whose management group owns relatively small holdings. This is a moot question. Professional management may be as able and as interested in the welfare of all shareholders as is family management, if not more so. Among

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DECREASES SHOWN IN RECENT EARNINGS REPORTS

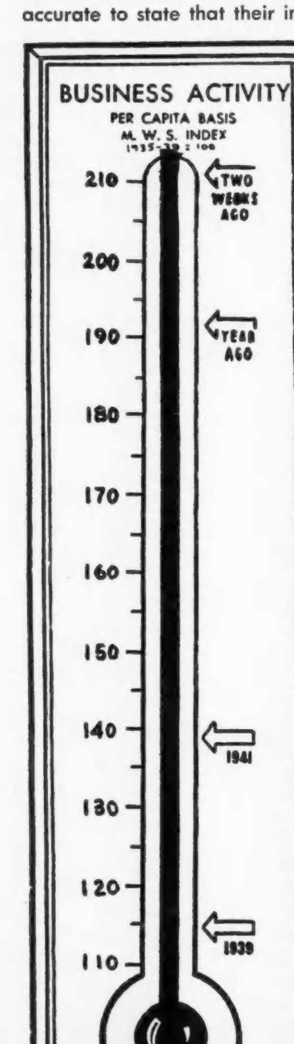
		1955	1954
Diana Stores	9 Mos. Apr. 30	$ .78	$ .84
Twentieth Century-Fox Film	Quar. Mar. 26	.54	.74
Blaw-Knox Co.	Quar. Mar. 31	.09	.75
Admiral Corp.	Quar. Mar. 31	.52	.64
Allied Mills, Inc.	Quar. Mar. 31	.67	1.14
United Gas Corp.	Quar. Mar. 31	.69	.77
Anderson-Pritchard Oil	Quar. Mar. 31	.75	.84
Carpenter Steel	9 mos. Mar. 31	4.69	5.14
Eversharp, Inc.	Year Feb. 28	1.50	1.60
Lukens Steel Co.	24 weeks Apr. 9	1.24	4.14

The Business Analyst

WHAT'S AHEAD FOR BUSINESS?

By E. K. A.

Our major railroads in recent years have developed a new appreciation of the so-called "air rights" above their terminals and even their suburban stations. It might be more accurate to state that their interest has been whetted by real estate firms seeking to build skyscrapers on these choice sites. The 41-story Prudential Insurance building in Chicago has gone up over a suburban railroad station on air-right property purchased from Illinois Central. The air space above Chicago's busy Union Station also may be displaced by buildings, for builders and investors have acquired an option on the upper air. The real estate firm of Webb & Knapp, which has bought up more Manhattan Island property than anyone since Peter Minuit (although at sharply higher prices), also has taken to the air. W. & K. last year outlined plans for an 80-story office building that would rise above New York Central's Grand Central Station. Now W. & K. has taken a one-year option with a view to erecting a $100 million "Palace of Progress" atop the half-century old Pennsylvania Station in New York.



This newest use of a highly-centralized urban site is fraught with meaning for business people everywhere. In this largest (not the tallest) building in the world, W. & K. would have a permanent world's fair, a wholesaling center and, above the merchandise mart, buyers' offices. The company plans to enlist the services of internationally-known figures, who would comb the world to develop interest, enlist exhibitors and sign tenants. The enormity of this project may be gleaned from the fact that it will have 6.9 million square feet of floor space, 350,000 square feet greater than the Pentagon and nearly 75% more space than Chicago's famed Merchandise Mart.

It is reported that about 1.5 million square feet of floor space in the planned building already has been "spoken for" by three giant buying organizations, representing billions of dollars annually in purchasing power. These are identified only as "soft goods" enterprises — textiles, dresses, millinery and notions. The company obviously is confident that the "Palace of Progress" will attract companies and buyers from all over the world, in addition to vast numbers of tourists, domestic and foreign.

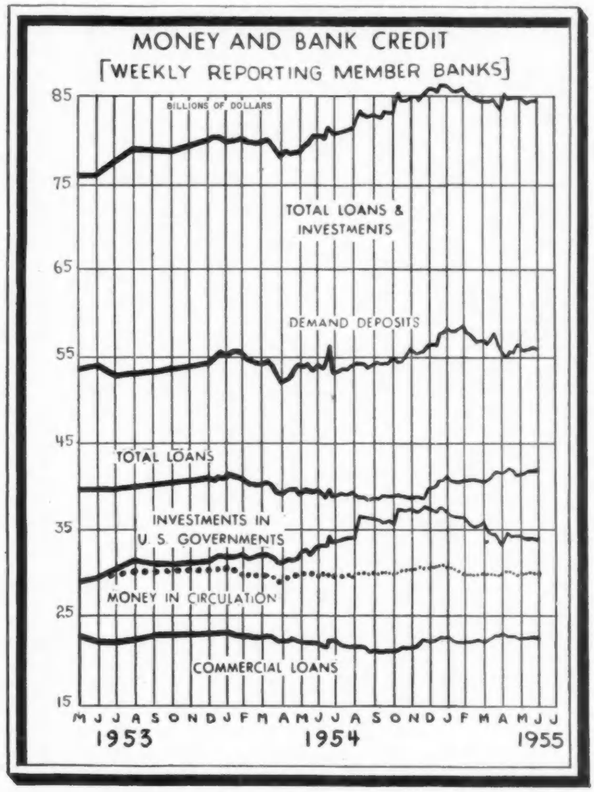
Business leaders the world over will watch the New York experiment. For in this American metropolis is concentrated nearly 70% of the nation's resident buyers, who spend more than $15 billion yearly on goods for their clients. This new 500-foot high center should serve as a magnet for many of these firms, some of whom now are spread out over two or more floors of an office building. They serve stores in this country and overseas.

If the "Palace of Progress" can be brought to fruition, it may set a new pattern of merchandising in other metropolitan centers of the United States. It is not difficult to envisage the sales, advertising and promotion potential in this under-one-roof in-the-heart-of-town multi-purpose edifice. Properly developed, it must serve as a point of congregation for buyers, brokers, importers, exporters, foreign commercial attaches, manufacturers and the general public.

The idea, of course, is not new, having received considerable attention over the years in such cities as New Orleans and Miami. And it has long been known to many European centers of trade. Only the scale of the New York plan (encompassing such ideas as industrial theatres) is without precedent and therefore could have world-wide impact on prevailing selling methods.

Once its success is assured, it doubtless will be followed by other urban centers.

HIGHLIGHTS



MONEY & CREDIT—The demand for new issues of fixed income securities registered improvement in the first half of June as investors took advantage of lower prices and better yields to add to portfolios. In the corporate field, underwriters were pleased to find that hitherto sticky offerings were moving more briskly, giving them an opportunity to reduce their inventories to more normal proportions. Corporate flotations had been large in May but the calendar of coming new issues is now much lighter and this has contributed to the better market tone. Among tax-exempt obligations, underwriters have been bidding freely on new flotations despite their recent experience of having to cut offering prices before the issue is fully sold. A notable exception to this tendency has been the marketing of the $74 million Florida State Turnpike Authority 3¼s which were reasonably priced and well distributed. This issue, the first offering by a new toll road authority this year, is the forerunner of heightened activity in this field. $58.5 million of Texas Turnpike Authority bonds are being sold as this is written, the $400 million Illinois turnpike financing has cleared the major legal hurdles and a long list of other highway projects are being readied for distribution. It has been estimated that as much as $1 billion of toll road bonds may come to market in the next twelve months, a figure that would make a sizable dent in funds available for this type of investment.

Among seasoned bonds, steadiness has been the keynote of recent performance. Long-term Treasuries were mixed in the two weeks ending June 14 with the 40-year 3s gaining 3/16, the Victory 2½s losing a similar amount and the 3¼s of 1983-1978 remaining unchanged. Corporate issues have held in a narrow range and most state and local obligations have followed a desultory course, although the success of the Florida turnpike offering brought higher prices for most outstanding issues of this description.

The nation's money supply has risen in April, gaining $2.0 billion to a total of $207.4 billion. Of special interest was the strong upward trend of demand deposits, which rose $2.1 billion during the month while time deposits plus currency outside the banks, were unchanged. The lag in savings deposits, a condition that has been evident for some months, highlights the fact that consumers are spending a larger part of their income than usual while savings are being slighted.

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TRADE—Retail sales have remained on a high plateau in recent months with total dollar volume in May amounting to $15.3 billion. After seasonal adjustment, this is unchanged from April results, according to preliminary estimates by the Commerce Department. Most types of goods continued to move at the high demand levels of previous months. Auto dealers had the best year-to-year gains while the lumber and furniture groups also showed worthwhile increases from a year ago.

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INDUSTRY—Industrial production moved higher in May and early June. The MWS seasonally adjusted Business Activity Index reached a new high in the first week of June, rising to 214.8% of the 1935-1939 average from 213.4 the previous week and 207.4 at the end of April. Strong factors in recent weeks include coal production, crude oil runs, electric power output, carloadings and paperboard production. Some observers are forecasting an easing in industrial production in coming months as automakers begin to slow down their assembly lines.

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COMMODITIES—Sensitive spot commodity prices were somewhat higher in the two weeks ending June 10 and the Bureau of Labor Statistics' index of 22 such commod-

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Essential Statistics

	Date	Latest Wk. or Month	Previous Wk. or Month	Year Ago	Pre-Pearl Harbor*
MILITARY EXPENDITURES—$b (e)	Apr.	3.2	3.5	3.6	1.6
Cumulative from mid-1940	Apr.	586.7	583.5	544.4	13.8
FEDERAL GROSS DEBT—$b	June 7	277.4	277.5	273.3	55.2
MONEY SUPPLY—$b					
Demand Deposits—94 Centers	June 1	56.0	56.4	53.9	26.1
Currency in Circulation	June 8	30.1	30.0	29.9	10.7
BANK DEBITS—(rb)**					
New York City—$b	Mar.	63.4	63.4	64.1	16.1
344 Other Centers—$b	Mar.	105.4	102.4	97.6	29.0
PERSONAL INCOME—$b (cd2)	Apr.	295.6	294.6	284.4	102
Salaries and Wages	Apr.	202	202	194	99
Proprietors' Incomes	Apr.	50	50	48	23
Interest and Dividends	Apr.	25	25	24	10
Transfer Payments	Apr.	17	17	16	10
(INCOME FROM AGRICULTURE)	Apr.	16	16	15	3
POPULATION—m (e) (cb)	May	164.8	164.6	162.0	133.8
Non-Institutional, Age 14 & Over	May	117.2	117.1	116.1	101.8
Civilian Labor Force	May	65.2	64.6	64.4	55.6
Armed Forces	May	3.1	3.1	3.4	1.6
unemployed	May	2.5	3.0	3.3	3.8
Employed	May	62.7	61.7	61.1	51.8
In Agriculture	May	7.0	6.2	6.8	8.0
Non-Farm	May	55.7	55.5	54.3	43.2
Weekly Hours	May	41.9	41.2	41.6	42.0
EMPLOYEES, Non-Farm—m (lb)	May	48.9	48.6	47.9	37.5
Government	May	6.9	6.9	6.7	4.8
Trade	May	10.5	10.5	10.4	7.9
Factory	May	12.9	12.8	12.4	11.7
Weekly Hours	May	40.7	40.2	39.3	40.4
Hourly Wage ($)	May	1.87	1.86	1.81	77.3
Weekly Wage ($)	May	76.11	74.77	71.13	21.33
PRICES—Wholesale (lb2)	June 7	110.3	110.2	110.0	66.9
Retail (cd)	Mar.	207.5	207.5	208.3	116.2
COST OF LIVING (lb2)	Apr.	114.2	114.3	114.6	65.9
Food	Apr.	111.2	110.8	112.4	64.9
Clothing	Apr.	103.1	103.2	104.1	59.5
Rent	Apr.	129.9	130.0	128.2	89.7
RETAIL TRADE—$b**					
Retail Store Sales (cd)	Apr.	15.3	15.1	14.2	4.7
Durable Goods	Apr.	5.5	5.5	4.9	1.1
Non-Durable Goods	Apr.	9.7	9.6	9.4	3.6
Dep't Store Sales (mrb)	Apr.	0.90	0.86	0.84	0.34
Consumer Credit, End Mo. (rb)	Apr.	30.7	29.9	28.1	9.0
MANUFACTURERS'					
New Orders—$b (cd) Total**	Mar.	27.7	25.6	22.9	14.6
Durable Goods	Mar.	14.0	12.7	10.2	7.1
Non-Durable Goods	Mar.	13.7	12.9	12.7	7.5
Shipments—$b (cd)—Totals**	Mar.	26.4	25.2	24.1	8.3
Durable Goods	Mar.	13.1	12.4	11.4	4.1
Non-Durable Goods	Mar.	13.3	12.8	12.7	4.2
BUSINESS INVENTORIES, End Mo.**					
Total—$b (cd)	Apr.	77.7	77.5	78.8	28.6
Manufacturers'	Apr.	43.3	43.3	44.5	16.4
Wholesalers'	Apr.	11.7	11.6	11.6	4.1
Retailers'	Apr.	22.8	22.6	22.7	8.1
Dept. Store Stocks (mrb)	Apr.	2.4	2.4	2.4	1.1
BUSINESS ACTIVITY—1—pc	June 4	214.0	213.4	190.6	141.8
(M. W. S.)—1—np	June 4	270.5	270.0	236.9	146.5

PRESENT POSITION AND OUTLOOK

(Continued from page 425)

ities rose 0.6% to close at 89.7% of the 1947-1949 average. Metals and raw industrial commodities displayed the most strength with the former adding 1.2% and the latter up 0.9%. Fats and oils were 0.8% higher while foodstuffs were up a negligible 0.1%. Textile products lagged, losing 0.7% from their level of two weeks earlier.

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CONSTRUCTION ACTIVITY was at a new high in May, according to seasonally adjusted figures compiled by the Commerce and Labor Departments. On this basis, May construction was equal to $42.1 billion at annual rates, which compares with outlays of $37.6 billion for all of last year. Actual construction expenditures last month amounted to $3,537 million, 13% ahead of a year ago. Private residential building continued high with a 23% gain over May, 1954. Nonresidential building was 21% above the corresponding 1954 month and public utilities had a 6% gain. Farm construction lagged, trailing May, 1954 by 10%. In the first five months of 1955, total new construction spending amounted to $15,288 million, 15% above the similar 1954 period. Private residential building was up 33% and nonresidential construction posted a gain of 18%. Public construction for the period was unchanged from last year although outlays for highways were 8% higher.

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EXPORTS from this country were lower in April, amounting to $1,262.0 million versus $1,342.3 million the previous month. The dip from a year ago came to 11%, but year-to-year comparison was distorted by the fact that the settlement of the dock strike in March, 1954 gave artificial stimulus to the following month's exports. Exports under the Mutual Security Program came to $93.9 million in April, not much changed from March but sharply under the $167.2 million of such shipments a year ago. Among regular exports, contraction from the previous month was noted for grains and cotton. **IMPORTS** also were lower in April, with the total at $857 million,

and Trends

	Date	Latest Wk. or Month	Previous Wk. or Month	Year Ago	Pre-Pearl Harbor*
INDUSTRIAL PROD.—la np (rb)	Apr.	136	135	123	93
Mining	Apr.	121	122	109	87
Durable Goods Mfr.	Apr.	151	148	134	88
Non-Durable Goods Mfr.	Apr.	124	123	115	89
CARLOADINGS—t—Total	June 4	714	790	612	933
Misc. Freight	June 4	352	394	305	379
Mdse. L. C. I.	June 4	57	66	52	66
Grain	June 4	44	50	40	43
ELEC. POWER Output (Kw.H.) m	June 4	9,537	9,976	8,246	3,266
SOFT COAL, Prod. (st) m	June 4	8.7	9.3	6.5	10.8
Cumulative from Jan. 1	June 4	188.8	181.1	159.6	44.6
Stocks, End Mo.	Apr.	64.0	64.0	70.6	61.8
PETROLEUM—(bbls.) m					
Crude Output, Daily	June 3	6.6	6.6	6.5	4.1
Gasoline Stocks	June 3	169	169	174	86
Fuel Oil Stocks	June 3	44	44	47	94
Heating Oil Stocks	June 3	84	80	75	55
LUMBER, Prod.—(bd. ft.) m	June 4	239	266	242	632
Stocks, End Mo. (bd. ft.) b	Mar.	9.1	9.1	9.2	7.9
STEEL INGOT PROD. (st) m	May	10.3	9.8	7.5	7.0
Cumulative from Jan. 1	May	47.4	37.1	36.8	74.7
ENGINEERING CONSTRUCTION AWARDS—$m (en)	June 9	378	324	326	94
Cumulative from Jan. 1	June 9	8,245	7,867	5,873	5,692
MISCELLANEOUS					
Paperboard, New Orders (st)t	June 4	377	269	289	165
Cigarettes, Domestic Sales—b	Mar.	33	28	32	17
Do., Cigars—m	Mar.	518	438	507	543
Do., Manufactured Tobacco (lbs.)m.	Mar.	18	15	18	28

PRESENT POSITION AND OUTLOOK

16% under March and 10% below April, 1954.

* * *

Business spending for **NEW PLANT AND EQUIPMENT** is due to rise sharply in the third quarter, on top of improvement in the April-June period, a joint survey by the Commerce Department and the Securities & Exchange Commission has revealed. In the third quarter of this year, business firms are planning to spend $28.83 billion, at seasonally adjusted annual rates, for capital expansion, quite an improvement over the $25.65 billion rate of the first quarter and well above outlays of $27.86 billion in the second quarter. If capital spending plans for the third quarter are realized it will mean a virtual recovery to the peak spending rate of $28.92 billion which was reached in the July-September period of 1953. The biggest gains from the first quarter trough are slated for steel, motor vehicles and other transportation industries. Among nondurables, petroleum, chemcials and paper companies are taking the lead in expansion.

* * *

b—Billions. cb—Census Bureau. cd—Commerce Dept. cd2—Commerce Dept., seasonally adjusted monthly totals at annual rate, before taxes. cdlh—Commerce Dept. (1935-9—100), using Labor Bureau and other data. e—Estimated. en—Engineering News-Record. I—Seasonally adjusted index (1935-9—100). la—Seasonally adj. index (1947-9—100). lb—Labor Bureau. lb2—Labor Bureau (1947-9—100). lb3—Labor Bureau (1935-9—100). lt—Long tons. m—Millions. mpt—At mills, publishers and in transit. mrb—Magazine of Wall Street, using Federal Reserve Board Data. np—Without compensation for population growth. pc—Per capita basis. rb—Federal Reserve Board. rb3—Federal Reserve Bank of N. Y.—1941 data is for 274 centers. st—short tons. t—Thousands. *—1941; November, or week ended December 6. **—Seasonally adjusted.

THE MAGAZINE OF WALL STREET COMMON STOCK INDEXES

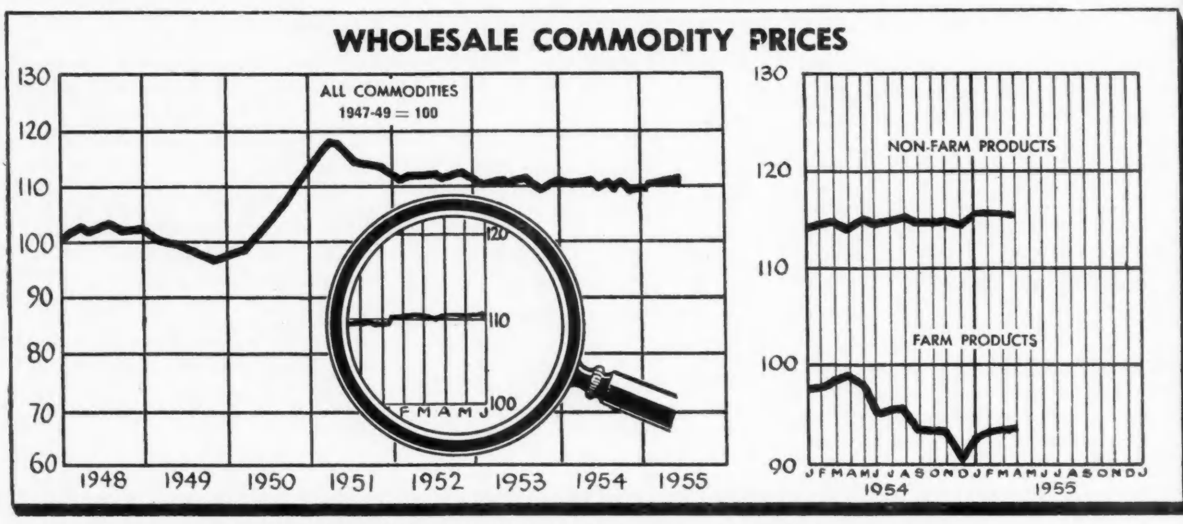
No. of Issues (1925 (Cl.—100)	1955 Range High	Low	1955 June 3	1955 June 10
300 Combined Average	314.7	282.0	311.5	314.7H
4 Agricultural Implements	316.3	264.9	316.3	313.5
3 Air Cond. ('53 Cl.—100)	116.0	99.8	102.1	99.8L
10 Aircraft ('27 Cl.—100)	1,084.9	880.9	908.8	918.0
7 Airlines ('27 Cl.—100)	1,263.6	971.2	1,221.8	1,263.6H
4 Aluminum ('53 Cl.—100)	319.1	191.1	287.6	319.1H
7 Amusements	177.4	147.0	177.4	175.8
9 Automobile Accessories	346.4	308.3	336.9	343.2
6 Automobiles	48.9	44.3	48.0	47.1
4 Baking ('26 Cl.—100)	29.8	27.8	29.5	29.8
3 Business Machines	904.0	657.4	877.4	904.0H
6 Chemicals	535.4	466.6	520.7	535.4H
3 Coal Mining	19.4	14.8	17.1	18.1
4 Communications	116.6	103.9	113.4	114.5
9 Construction	120.7	106.4	118.5	120.7H
7 Containers	718.6	675.1	718.6	718.6
7 Copper Mining	280.1	222.2	268.5	275.5
2 Dairy Products	124.7	117.6	122.3	123.5
6 Department Stores	93.7	80.0	92.9	93.7H
5 Drugs-Eth. ('53 Cl.—100)	151.2	129.6	145.8	145.8
6 Elec. Eqp. ('53 Cl.—100)	174.7	156.0	166.9	166.9
2 Finance Companies	638.8	589.6	638.8	632.6
6 Food Brands	300.6	266.6	290.2	290.2
3 Food Stores	149.2	137.7	149.2	146.3

(Nov. 14, 1936 Cl.—100)	High	Low	1955 June 3	1955 June 10
100 High Priced Stocks	205.4	180.6	201.2	205.4H
100 Low Priced Stocks	383.1	343.5	380.2	387.8
4 Gold Mining	806.0	684.8	684.8	706.2
4 Investment Trusts	157.1	143.8	152.6	151.2
3 Liquor ('27 Cl.—100)	1,069.3	961.3	1,069.3	1,026.1
9 Machinery	395.8	317.7	359.9	366.3
3 Mail Order	188.6	159.3	188.6	188.6
4 Meat Packing	134.4	112.8	128.4	127.2
5 Metal Fabr. ('53 Cl.—100)	178.8	155.9	173.8	177.1
10 Metals, Miscellaneous	401.6	358.2	390.7	398.0
4 Paper	977.1	767.1	960.9	977.1H
22 Petroleum	638.1	590.0	620.1	638.1H
22 Public Utilities	249.1	234.8	246.7	246.7
7 Railroad Equipment	88.4	73.4	83.1	81.6
20 Railroads	77.2	64.7	75.9	77.2H
3 Soft Drinks	528.9	459.9	510.5	510.5
11 Steel & Iron	257.6	219.2	248.6	257.6H
4 Sugar	68.8	56.1	65.3	64.7
2 Sulphur	922.1	813.2	913.7	913.7
10 Television ('27 Cl.—100)	47.3	40.7	47.3	46.9
5 Textiles	176.9	148.4	176.9	172.4
3 Tires & Rubber	165.3	137.8	165.3	165.3
5 Tobacco	89.6	81.9	84.5	84.5
2 Variety Stores	315.0	286.9	293.2	286.9L
15 Unclassif'd ('49 Cl.—100)	155.2	146.3	150.8	149.3

H—New High for 1955. L—New Low for 1955.

Trend of Commodities

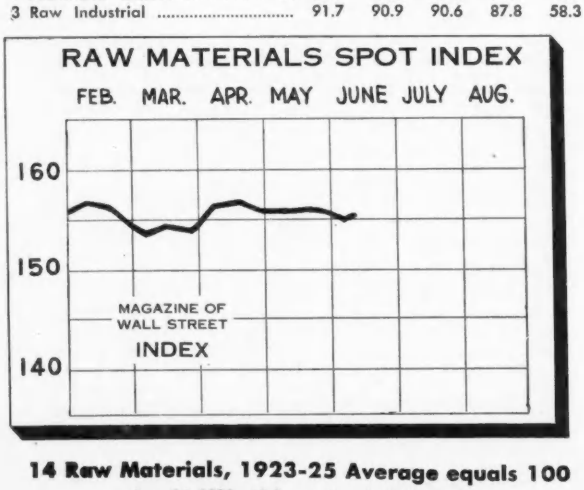
Futures prices of most domestic commodities were moderately lower in the two weeks ending June 13, despite a robust rally in the last day of the period. On the other hand, imported commodities, such as coffee, cocoa and rubber have been exceptionally strong and this accounts for the 2.81 point rise chalked up by the Dow-Jones Commodity Futures Index during the period under review. Among the grains, wheat has been a strong spot, aided by the Agriculture Department's latest estimate that this year's crop would amount to only 845 million bushels, smallest since 1943 and 13% under a year ago. September wheat ran up 2½ points on the basis of this news, leaving it 1 cent ahead of its price of two weeks ago. May, 1956 wheat, however, was a laggard as the result of Agriculture Secretary Benson's announcement that the 1956 wheat loan would be based on 76% of parity, or $1.81 a bushel on the farm, versus this season's support level of $2.06, based on 82½% of parity. Of course, farmers may reject the wheat quota program, which is shortly coming up for a vote, in which case supports would move down to 50% of parity. September corn lost 1⅛ cents in the period under review to close at 141⅞. The Agriculture Department reports that the crop is coming along well and this has restrained buying enthusiasm. Demand for feeds have been slow in recent weeks and existing "free" supplies have proved adequate to keep prices in check. October cotton was quiet in the two weeks ending June 13 to close at 34.08, a 6 point decline from two weeks earlier. Favorable crop news and a slow cloth market have deterred buyers.

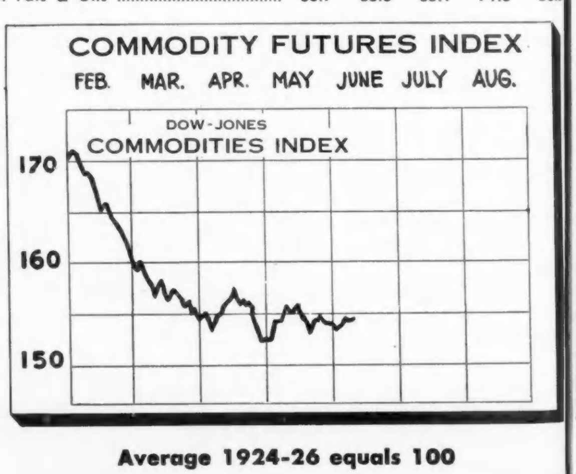


U. S. DEPARTMENT OF LABOR INDEX OF 28 BASIC COMMODITIES
Spot Market Prices — 1947-1949, equals 100

	Date June 10	2 Wks Ago	3 Mos. Ago	1 Yr. Ago	Dec. 6 1941
22 Commodity Index	89.7	89.2	88.8	92.5	53.0
9 Foodstuffs	86.7	86.6	86.0	99.6	46.5
3 Raw Industrial	91.7	90.9	90.6	87.8	58.3

	Date June 10	2 Wks Ago	3 Mos. Ago	1 Yr. Ago	Dec. 6 1941
5 Metals	106.8	105.5	104.4	97.4	54.6
4 Textiles	83.8	84.4	85.4	87.7	56.3
4 Fats & Oils	65.9	65.3	65.1	71.3	55.6





14 Raw Materials, 1923-25 Average equals 100

Aug. 26, 1939—63.0 Dec. 6, 1941—85.0

	1954-55	1953	1952	1951	1945	1941	1938	1937
High	156.9	162.2	181.2	215.4	111.7	88.9	57.7	86.6
Low	147.8	147.9	160.0	176.4	98.6	58.2	47.3	54.6

Average 1924-26 equals 100

	1954-55	1953	1952	1951	1945	1941	1938	1937
High	183.7	166.5	192.5	214.5	95.8	74.3	65.8	93.[illegible]
Low	152.5	153.8	168.3	174.8	83.6	58.7	57.5	64.[illegible]

WHAT'S NEW?

—A Record of Important Company Developments

Douglas Aircraft Co. the foremost builder of commercial planes for which its current order backlog is in excess of $350 million, gives promise of leading the American aircraft industry in producing a commercial jet air transport. After more than three years of technical investigations and engineering development, Douglas announces its decision to proceed with the building of a 550-mile-an-hour jet airplane capable of carrying 80 to 125 passengers on non-stop flights between the U. S., and European cities. Flight time between New York and Paris, it is estimated, would be six and one-half hours, and a little more than four hours between San Francisco and Honolulu. Another significant feature of the planned jet transport will be its ability to operate from and to existing major air terminals at operating costs under those for present propeller-driven planes.

Reading Company common stock's current market strength with the issue selling at 37⅛ — within a fraction of its 1955 high of 37⅞ – reflects the road's good 1955 first five months' operating results. Net income for that period reached $2.13 a share for the common stock. This compares with $1.84 a share reported for the corresponding months of last year, and represents a gain of 11% over the latter period. A feature of the report covering operations in the five months to May 31, 1955 is the indicated net income for May of this year of $847,561, an increase of 34% over May, 1954 net of $631,675. This showing for May, 1955, was achieved on operating revenues approximating $9.7 million which were about 12% higher than in May last year, indicating that the May, 1955 gain in net income, as well as that for the full first five months was due, in part, to better control over expenses.

Caterpillar Tractor Co., which did $401 million in sales last year expects to better that mark by at least $80 million in 1955. Judging by the showing made in the four months to the end of last April, this expectation may prove conservative. In that period, Caterpillar achieved capacity production and moved well along toward its 1955 goal by piling up sales of $163.1 million, this volume surpassing the corresponding 1954 months by $32.8 million. The biggest gain in any one of the first four months was scored in April of this year. Sales for this 30-day period ran $10 million ahead of April a year ago. Net profit for the common stock in the first four months of 1955 amounted to $1.15 a share, compared with 97 cents in the like period of 1954. This comparison is after giving effect to the 2-for-1 stock split last April.

Skelly Oil Co.: This is a medium-sized organization having production well in excess of its refining requirements. For a number of

(*Please turn to page* 430)

Important Dividend Changes

June 1 to June 14

INCREASED DIVIDENDS

	New Rate	Period
West Penn Elec.	$ .32½	Qu.
American Natural Gas	.55	......
Seaboard Air Line R. R.	1.25	Qu.
Island Creek Coal	.37½	......
California Packing	.45	Qu.

INITIAL DIVIDENDS

	Rate	Period
Western Union Tel. (new)	$ .25	......

STOCK DIVIDENDS (Including Stock-Splits)

	Rate
Kaiser Alum. & Chem.	200%
Noranda Mines	100
Sunbeam Corp.	50

EXTRA DIVIDENDS

Addressograph Multigraph	$ .75
Sunbeam Corp.	.12½
Wrigley (Wm.) Jr. Co.	.50

IRREGULAR DIVIDENDS

Chicago Milw. St. P. & Pac.	$1.50

INTERIM DIVIDENDS

Royal Dutch Petrol.	10%

Investment Clinic

(*Continued from page* 421)

term profit of $5,000. Let us assume your overall tax rate would be 23%. That would make the tax bite on the profits about $1,150, compared with the $1,250 tax on the capital gains tax at the 25% rate. This would, therefore, mean a saving of only $100, hardly worth-while if waiting for this saving could mean a difference in profits of $1,000 or $2,000, which could easily happen if the stock declined materially before the end of the 6-months period. So that waiting for the capital gains tax to become effective can prove quite expensive for investors in this particular situation.

However, the investor in this income tax bracket has an option. if he still wants to make a play for the capital gains tax. Depending on which results in the lower tax, he can (1) pay the flat 25% tax on over-six months profits or (2) he can report half of it in the regular way (straight income tax). This might prove an advantage since, for example, at the lowest income tax rate of 20%, the tax on this part of the profits might amount to only 10%.

There may be an advantage in waiting 6 months before accepting profits for the larger investor but the problem for the smaller investor is to decide whether in going for long-term rather than short-term profits he is not risking a good part of his profits. At this point, it obviously becomes a question of weighing possible tax benefits against purely market considerations. The trouble with many investors is that they allow these tax considerations to predominate when, as a matter of fact, they should primarily take a stand with respect to profits that is in line with the actual market position of the stock. Balancing one consideration against the other will give better results than ignoring one in favor of the other. Both go together.

How to Use Losses in Tax Savings

While we have devoted the discussion thus far to the question of taxes on profits, the acceptance of losses and how they should be handled from a tax standpoint is also important. Losses should be used so as to most effectively offset profits. Since short-term losses are taxed at the straight income tax rate, they are best applied against short-term profits. More than 6-months losses are applied against more than 6-months profits.

Complications occur when the losses or profits do not match with respect to the periods of time involved. For example, if you have taken $5,000 short-term profit and still have $5,000 over 6-months profits and at the same time you have a loss of $5,000 on securities recently purchased, you shall be sure to handle this combination correctly. Thus, you should not wait for the 6-months limit to take losses but take them before the 6-months period has passed, in order to offset the short-term profits you have already taken. This will wipe out the tax on the short-term profit. If you wait for the 6-month line to be reached before taking your loss, you will have to apply it against your long-term profits. In that case, you will have to pay the full tax on the short-term profit you have already accepted. By taking the short-term loss in time, you will now pay only the capital gains (if you take this profit), on which you can either pay the 25% rate or, using the other option, paying the tax on half the profit in the regular way.

This may all seem quite complicated but it is less important to understand the details—on which help can be secured through competent tax accountant—than it is to understand the principles of action, which means the timing of the periods in which stocks are to be held or sold. This requires constant attention throughout the entire year. It is for this reason that it is unwise to wait for the end of the year in order to make preparation for the tax man as this might mean losing the opportunity to take advantage of the dividing line between the 6-month period.

Where there are long-term profits (over 6 months) and long-term losses it is advisable to accept losses in a different year, if at all possible. This is based on the provision of the law which allows long-term losses to be carried over into the nearby succeeding years, prorated between each year. Thus, if you have a long-term profit of $5,000 in 1955 and a $5,000 long-term loss and take this loss in 1956, you can apply part of the loss to 1956 and part to 1957. This means that there can be a sizeable saving in taxes. (Losses can be carried forward for 5 years, $1,000 annually deductible.) If the losses are accepted the year before the profits are accepted, the savings will be smaller. If both losses and profits (long-term) are accepted the same year, and they are equivalent to amount, the result is a stand-off.

There are many other and more intricate phases of the capital gains tax provisions but the above are the main essentials. For the convenience of our subscribers, we have set forth in a separate "box" the chief features. —END

What's New

(*Continued from page* 429)

years, the company has concentrated on increasing crude production and reserves, meeting with considerable success in these efforts. At last year-end Skelly's producing properties totaled 424,408 net acres. In addition to relatively large oil and gas reserves, the company held 3.6 million acres of undeveloped oil and gas lands. For 1954 net income amounted to $5.12 a share against $5.44 a year previous. Cash earnings last year were approximately $11.50 per share or roughly 20% of the current market price of 56. For the March quarter of this year net income was reported at $1.34 per share compared with $1.25 in 1954. An ultra conservative dividend policy has restricted payment to about 15% of operating cash income. This heavy plow-back has promoted vigorous expansion of earning power. Current indicated dividend of $1.80 per share yields about 3.2%.

Westinghouse Electric Corp., in reporting 1955 first quarter earnings of 75 cents a share compared with $1.61 for the like period of 1954, caused considerable disappointment among those who had bought the stock prior to the release of the report in anticipation of realizing short-term profits on a run-up in the market. The results of 1955 first quarter operations, however, did not come entirely as a surprise inasmuch as the company had previously stated its backlog of orders for heavy equipment began to recede as long ago as 1953, and did not show signs of a reversal in trend until late 1954. Because of the time required to ready these orders for shipment it is expected that this business will not be reflected in earnings statements until after the mid-year.

$20 Billion in Interest Payments

(*Continued from page* 394)

which do the bulk of instalment sales financing, have as yet shown any inclination to tighten up their terms or their credit examinations. However, if business conditions should take a turn for the worse, for reasons that may have nothing to do with instalment credit, and if the personal incomes out of which the instalment payments are made should suddenly decline, the instalment debt overhangs could suddenly loom close indeed.

For these reasons, instalment debt is, for general analytical purposes, the center of the American debt picture. Although it accounts for only 5% of the total public and private debt outstanding, and although the interest burden involved in the debt is only about 15% of the total national interest burden, it constitutes the advanced salient of debt—the area where borrowing against the future has taken its most susceptible form.

From the above, it can be seen that so far as the pressure of growing interest payments is concerned, there must necessarily be a wide area of doubt lest this trend sooner or later commence to overbalance the economy. While it is true that the American economy has devised a new credit technology in getting goods from producer through distributor to the consumer, it works only as long as the total volume of business remains at a high level, or increases. Should demand fall off, the incidence of a high level of debt burden and interest payments on a declining volume of business, on a national scale, could prove an accelerating factor in a downward direction. It is for this reason that concern is being expressed over the rising volume of consumer and other debt. Obviously, this is a situation that will bear the closest watching from now on.—END

Starting in Next Issue

MID-YEAR DIVIDEND FORECAST

Top figure—No. Stockholders
Bottom figure—No. Shares

FROM ALL OVER THIS NATION . . .

AND other countries, too, people are investing their money in the securities of Vepco for expansion and development within the area served by it—in the states of Virginia, West Virginia and North Carolina—to meet the increasing needs by industries and homes for more and more electric power . . . for more production . . . more leisure living

The comparative figures below are significant evidence of the company's growth during the past ten years:

	1945	1954	Increase
Utility Plant	139,663,000	438,920,000	214%
Electric power supply, (Kilowatts)	439,300	1,164,500	165%
Number of Electric customers,	362,865	627,898	70%
Electric energy generated (millions-kw.)	2,201	5,273	140%
Average annual use by residential customers, (kilowatt-hours),	1,347	2,838	110%
Cubic feet of Gas sold (millions),	1,401	3,401	142%
Number of Gas customers	52,216	76,717	47%

In 1947, there were only 19,500 Vepco shareholders of less than 3,000,000 shares of common and 289,000 shares of preferred stock.

As of December 31, 1954, the company had 32,400 shareholders of 6,600,000 shares of common and 489,000 shares of preferred stock. These shareholders are located in every state of the nation, including U. S. territories and possessions, Canada and other countries.

VEPCO

VIRGINIA ELECTRIC and POWER COMPANY

AnacondA

Why ANACONDA is dropping "COPPER MINING" from its famous name!

For more than 60 years, the name "Anaconda" has been symbolic of copper. It still is. And it *will* continue to be—for a long, long time to come.

But the skills that made "Anaconda" a great name in copper have carried into many other fields. For years it has been an important producer of zinc, lead, silver, gold, and manganese. Recently uranium was added, and Anaconda operations in this vital field are now substantial and growing. This year primary aluminum will be produced.

Anaconda operations have not been limited to "mining" either. Smelting was a 19th century activity, and soon refining was to be undertaken. For many years a wide range of fabricated mill products have come from two subsidiaries, The American Brass Company and Anaconda Wire & Cable Company.

Before long, in fact, Anaconda will have the most complete line of products—copper, brass, aluminum, and many others—in the entire non-ferrous metal industry.

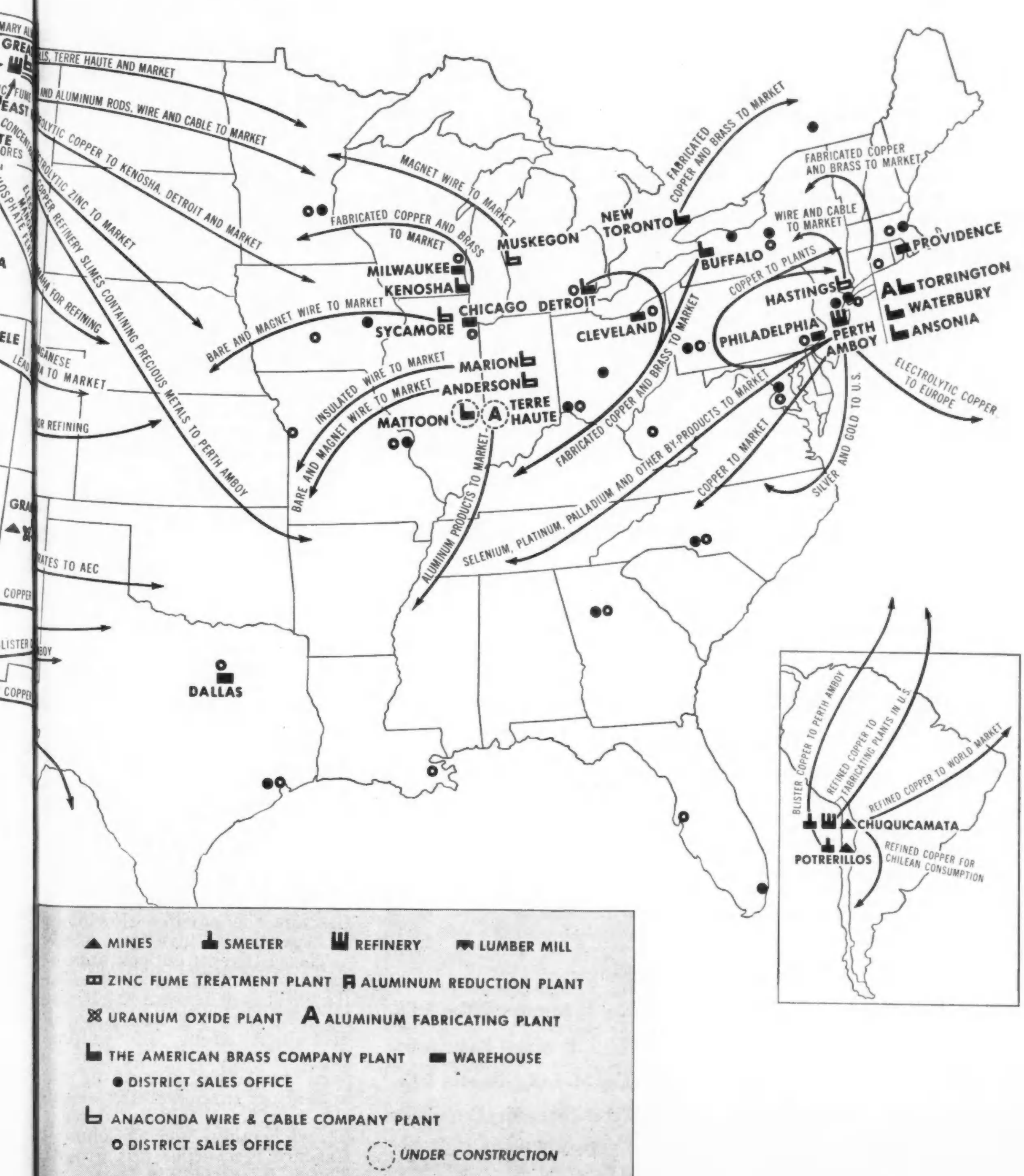
The old name just didn't cover this wide range of operations. Yet "Anaconda Copper Mining" had a solid ring to it, and the name was proudly carried. But so shall be the new name, THE ANACONDA COMPANY, whose more than 38,000 employees intend to carry on the same tradition of service that "Anaconda" has always stood for.

55238A

The ANACONDA Company

The American Brass Company
Anaconda Wire & Cable Company
Andes Copper Mining Company
Chile Copper Company
Greene Cananea Copper Company
Anaconda Aluminum Company
Anaconda Sales Company
International Smelting and Refining Company

changes its name



New Stock Financing Trend Important to Investors

(*Continued from page* 397)

drastically is a factor to consider.

Dilution of Equity

On the score of dilution of equity, the investor must be mindful that each increase in common stock capitalization proportionately reduces the amount of earnings on a per share basis. For example, if company "A" has 1 million shares of outstanding common stock and its last annual earnings were $2 million, this would be equivalent to $2 a share earnings. If, now, the company increased its outstanding common by a half million shares, bringing the total up to 1.5 million earnings would show up to only $1.33⅓ a share. Some compensation, of course, is offered through the "rights" made available to existing holders when the stock was offered. Nevertheless, on the score of current earnings, the dilution on a per share basis is obvious, so that the investor must expect earnings *on a per share basis* to be lower than before the new stock was sold. The difference will depend on the percent of increase in the new stock.

The question the investor must ask himself is whether the funds received by the company for the new security financing will produce the earnings results that would justify the addition to capitalization. Each company that comes to the public for funds hopes to employ the new capital in such a way as to expand facilities and increase its markets, thus raising its revenues and profits. In the case of the larger and established corporation, the sale of new securities for capital improvements is generally justified in the light of their experience. In that case, dilution of earnings on a per share basis is normally absorbed by future rising revenues so that as the years go on, earnings, even on a per share basis, are likely to be as high or higher than before the common capitalization was increased. The record of our major corporations generally bear this assertion out. This may not necessarily be so true of companies in less well established positions but even in these instances where confidence in the management, based on its past record, is high, investment in the new issue may be justified by future developments. But, of course, as the investor is well aware, in such securities the speculative element is increased.

The upshot of the matter is that as new common stock offerings of the smaller companies increase, investors must be careful to discriminate between those soundly conceived and offered at a reasonable price. With respect to financing by major companies, it may generally be assumed that the offering price is in line with potential value. —END

Critical Period Ahead for Natural Gas Industry

(*Continued from page* 409)

	June 3, 1955	1955 Range to date	1954 Range
Ten Gas Transmission Com. Stks.	4.13%	4.52-3.93%	4.93-4.40%
Ten Gas Distribution Com. Stks.	4.63	4.77-4.48	5.36-4.70
Thirty Natural Gas Common Stks.*	4.44	4.70-4.29	5.22-4.64
Twenty-Four Elec. Utility Com. Stks.	4.53	4.58-4.37	5.23-4.50

*Includes ten integrated gas companies plus the stocks used in above groups.

During the past year gas transmission stocks increased in price about 19% and the distribution stocks about the same, while the electric utilities gained only a little over 10%. Obviously investors have paid more attention to the improved regulatory picture, and to the favorable earnings effects of cold weather last winter in some areas, than to the present difficulties over prices.

In a way, also, the regulation of the independent producers by the FPC (if continued) will be favorable for the pipelines since it might avoid much rate litigation resulting from the mandatory rises in the cost of gas which would result from the numerous escalator clauses in the contracts with producers. This benefit, for the moment at least, outweighs future supply difficulties and the possible slowing-up of expansion in investors' minds.

The near-term outlook appears favorable for the gas stocks although it is dangerous to generalize with respect to such a widely diversified group of equities. Some stocks which have shown a very rapid past rate of growth in their per share earnings, naturally may have to slow down a bit, while others such as Columbia Gas are recovering lost ground. Those interested in new and

(*Please turn to page* 436)

This announcement, which appears as a matter of record only, is not an offer to sell or the solicitation of an offer to buy any of these securities. The offering is made only by the Prospectus.

Not a New Issue

776,066 Shares

Pioneer Natural Gas Company

Common Stock

(Without Nominal or Par Value)

Offering Price $28.25 Per Share

Copies of the Prospectus may be obtained from such of the undersigned and others as are qualified to act as dealers in securities in this State.

Union Securities Corporation

The First Boston Corporation **Blyth & Co., Inc.** **Eastman, Dillon & Co.**

Glore, Forgan & Co. **Goldman, Sachs & Co.** **Harriman Ripley & Co.** Incorporated

Kidder, Peabody & Co. **Carl M. Loeb, Rhoades & Co.**

Merrill Lynch, Pierce, Fenner & Beane **Stone & Webster Securities Corporation**

White, Weld & Co. **Dean Witter & Co.**

June 16, 1955

Market Laggards of 1955

(*Continued fom page* 411)

goods and a subsidiary markets Cannon hosiery. Cannon has paid dividends in each of the past 27 years. Current rate of $3 a share has been maintained since 1950. A measure of its financial strength may be gleaned from the balance sheet, which shows that at the close of 1954 current assets totaled $104,573,632 and current liabilities were $20,094,-021.

UNION OIL CO. OF CALIFORNIA shares have been selling at little more than the 1955 low of 50, following a decline in net profit for 1954 and a slide in net and sales for the first quarter of 1955. The company last year set new records in sales, gross revenues, refining activity, manufacture of petrochemicals and transportation of crude oil and refined products. However, earnings declined as a result of increased exploration expenditures, production curtailments in areas outside California and sharply increased competition in marketing. Earnings for 1954 dipped to $35,888,000, equal to $5.26 a common share, on sales of $334,253,-000. In 1953, sales of $305,819,000 were brought down to net profit of $38,100,000, or $5.59 a common share. Report of operations for the first three months of 1955 showed a net profit of $7,106,000, equal to $1.03 a share, against net of $8,445,000, or $1.24 a share, in the like three months of 1954. This latest drop is attributed to lower sales to the Government. This company has undertaken a substantial program to improve manufacturing facilities and complete a 65-mile pipeline from Ventura County to Los Angeles. It is an important factor in the fast-growing Far West market. Union Oil is a completely integrated unit, holding extensive crude oil and natural gas deposits in Louisiana, California and several other western states, together with substantial acreages of producing lands in Canada. Through Brea Chemicals, Inc., a wholly-owned subsidiary, Union entered the petrochemical field in 1953. This high-grade investment issue has a dividend record dating back to 1916. Despite recent earnings decline, the quarterly dividend rate was boosted last year to 60 cents from 50 cents, a modest payout considering the earnings level. Owing to its diversity and situation in the growing West, Union Oil should presently resume the upward trend of earnings that has characterized this company.

INTERNATIONAL MINERALS & CHEMICAL CORP., moving this year in a range between $41\frac{1}{2}$ and 34, has settled down near 35. The slide in its earnings for the year that ended June 30, 1954, occasioned considerable disappointment. The earnings for that year were trimmed by about $2.5 million, or $1.10 a share after Federal income taxes, owing to losses incurred in starting up the new Bonnie phosphate chemical plant at Bartow, Fla., and the smaller but important magnesium-oxide and hydrochloric acid unit at Carlsbad, N. M. Difficulties at Bonnie were greater than anticipated due to mechanical problems, a strike that lasted 53 days and an adverse market for the plant's principal product, dicalcium phosphate, that developed just prior to completion of the plant. Net sales for the fiscal year were $93,-592,000, highest in the 45-year history of the company and 5% above the preceding year, and net profit $6,044,000, or $2.44 a common share. This compares with net of $7,030,000, or $2.87 a share, a year earlier. Indications are that another new record for sales will be set for the fiscal year that ends this month. For the nine months to March 31, gross was $69,388,000, a 5% rise from the year-ago period, and net profit totaled $4,387,000, equal to $1.76 a share, compared with $4,073,000, or $1.63 a share, in the first nine months last year. Also, charges for depreciation and depletion for the latest nine-month period were $1,702,000 higher than a year earlier. A measure of the growth of the company may be gleaned from the fact that quarterly sales now equal the "handle" for all 1945 and the growth has been uninterrupted over the decade. This company for many years has been a leader in production of mineral phosphorus for use by formula feed manufacturers. The long term market is favorable. In Florida, the company gets uranium as a by-product of phosphate chemicals. The company, which pays 40 cents quarterly and has paid some dividend in every year since 1942, offers an excellent growth situation. —END

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NEW ISSUE June 8, 1955

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(No Par Value)

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The several Underwriters have agreed, subject to certain conditions, to purchase any unsubscribed shares and, both during and following the subscription period, may offer shares of Common Stock as set forth in the Prospectus.

Copies of the Prospectus may be obtained from any of the several underwriters only in States in which such underwriters are qualified to act as dealers in securities and in which the Prospectus may legally be distributed.

The First Boston Corporation

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Robert Garrett & Sons **Goodbody & Co.** **Mead, Miller & Co.**

Baumgartner, Downing & Co. **C. T. Williams & Company, Inc.**

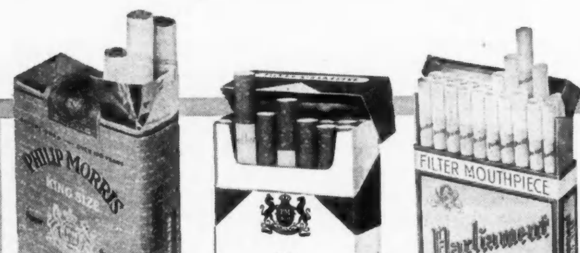
10 Attractive Low-Priced Stocks

(*Continued from page* 417)

wallboard and other building materials, appears to have interesting possibilities because of aggressive research activities, use of retained earnings in expanding and building additional production, and as a result of its long-range program, increased consumer recognition for its products across the country.

Properties include a substantial gypsum deposit acquired in March of this year which will supply a new plant soon to be constructed for the manufacture of gypsum products. Pabco also owns, jointly with Crown Zellerbach Corp., Fibreboard Products, Inc., producers of pulp and a broad line of paper and fibre products. Net sales of the latter company in its fiscal year ended April 30, 1954, totaled $91.4 million and which earned in that year $5.5 million out of which Pabco received $1,171,911 in dividends with its pro rata share of the undistributed earnings being $1,897,838. Pabco's own net sales for the year totaled $30.8 million with net profit, including Fibreboard dividend, of $1,835,491, equal to $1.15 a share for its common stock. Current fiscal year's showing is expected to come close to duplicating 1954 fiscal year's figures, net for the 9 months to December 31, being indicated at 82 cents a common share compared with 85 cents a year ago. Dividend payments at the present time are on what might well be called a token basis of 25 cents annually. It appears to be an attractive growth issue.

RAYTHEON MANUFACTURING CO., manufacturing electronics and communications equipment has recorded exceptionally rapid growth in the postwar period, net sales increasing from $56 million in 1949 to a peak of $179 million in 1953, with indications that this record high was topped by net sales for the fiscal year ended last May 31, estimated to have been in excess of $185 million. On the same basis of calculation, net earnings for the common stock is placed at $2.90 a share compared with $1.39 for the previous year. While military business continues to account for a substantial part of sales volume — Government order backlog last November totaled $117 million — Raytheon continues to build commercial sales, introducing new products in the electronics field and improving operations by more efficient production equipment and lowering costs. At the same time, it has continued to build financial strength largely through retention of net earnings, net working capital as of November 30, last, increasing to $32.2 million, a gain of approximately $10 million since May 31, 1952. Although there has been no official statement to that effect, it is believed that holders of the common stock are likely to have cash dividends put on a regular basis shortly, or in lieu of such action, may be the recipients of a stock dividend. The speculative possibilities underlying Raytheon common give the issue, currently priced at 23, considerable appeal over the near-term while it also appears worthy of holding for its longer-range growth. —END



The Philip Morris family of quality tobacco products, headed by Philip Morris and Parliament, welcomes the New MARLBORO FILTER cigarette in its unique crush-proof, flip-top box. MARLBORO at a popular price has been exceptionally well received throughout the country during its period of introduction.

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PHILIP MORRIS, Incorporated

CUMULATIVE PREFERRED STOCK: The regular quarterly dividends of $1.00 per share on the 4% Series and $0.975 per share on the 3.90% Series have been declared payable Aug. 1, 1955 to holders of record at the close of business on July 15, 1955.

COMMON STOCK ($5.00 Par): A regular quarterly dividend of $0.75 per share has been declared payable July 15, 1955 to holders of record at the close of business on July 1, 1955.

C. H. KIBBEE, *Treasurer*

New York, N. Y. June 15, 1955

Natural Gas Industry

(*Continued from page* 434)

more speculative ventures will be able to buy Pacific Northwest Pipeline common stock (separately) beginning September 1; if the stock should do as well as Gulf Interstate, which was earlier financed on a similar notes-and-stock-unit basis, it should prove of interest.

In studying various issues, investors should especially bear in mind the wide difference in equity ratios (for example, Tennessee Gas Transmission with 18% vs. Consolidated Natural Gas with over 64%), as an indication of relative safety in future "rough sailing". A number of other yardsticks such as yield and price-earnings ratio must also be studied, along with the long-term record of revenues, share earnings, market price, etc. —END

Why Legislation is Needed

(*Continued from page* 399)

daily, covering the most active and representative issues, chosen by the N.A.S.D. quotation committee. Quotations are secured by telephone or wire from 105 specialist dealers, also selected by the quotation committee. These quotations are distributed to the New York press and wire services. In other parts of the country quotations are compiled directly from dealers.

The N.A.S.D. is registered with the S.E.C. It was formed in 1938 as a non-profit organization, deriving its revenues from dues, fees and other charges paid by members. Anyone desiring to join applies to its board of governors. He signs the membership agreement which contains a provision that the applicant will abide by the by-laws and rules of fair practice — the association's binding code of ethics. In view of the fact that the membership is made up of nearly all brokers and dealers actively engaged in corporate securities dealings, dealers who are not members of the association trade with N.A.S.D. members as an investor would. Obviously, this means at prices which dealers sell securities to the public and not at the prices they sell to each other. As in most other lines of activity, there is a wholesale and retail market. Membership generally entails only a modest fee and there are no requirements as to financial standing of a prospective member.

The association is empowered to inspect members' books and records to ascertain if rules are being violated. Disciplinary action is carried out through a complaint process. Charges of violations of one or more rules of the association form the basis for complaints. Complaints can be instituted by a member of the public, a member of the association or by the association itself. Penalties take the form of censure, fine, suspension or even expulsion.

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Emerson Radio	Walker (Hiram)	Sunbeam	Distillers-Seagrams
General Electric	Stromberg-Carlson	Philco	Nat'l Distillers
Int'l Telephone	Sylvania Electric	Sangamo	Schenley Indust.
McGraw Electric	Radio Corp. of Amer.	Mallory (P. R.)	Gamewell
Minn.-Honeywell	Westinghouse Elec.	Servel	and 16 others

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As a final note, it might be interesting to take the investor through some typical dealings with an over-the-counter house. Assuming that you wanted to buy 100 shares of XYZ, an unlisted issue, you might go to an over-the-counter broker. He would check his quotation sheet, which would tell him the names of other dealers who had the stock and at what price it was available. He would, at your order, buy the stock for $300 and charge you about $315, thus giving him a 5% gross markup. Or he might charge a commission (there is no fixed rate), which would give him roughly the same kind of profit. In either instance, he would have acted as a broker.

You might, on the other hand, approach a dealer who was known to be "long" of XYZ. In that event, he would sell you the stock "net," although as a member of the public you would pay the retail price to this house, which acted as a principal.

In selling the shares, the procedure would be much the same, with the broker charging you a commission for arranging the sale or remitting the retail price. Where the broker also deals in the stock, he would buy it from you at the retail price. —END

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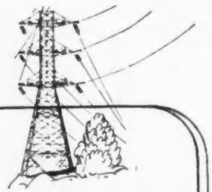

Southern California Edison Company

DIVIDENDS

The Board of Directors has authorized the payment of the following quarterly dividends:

COMMON STOCK
Dividend No. 182
60 cents per share.

PREFERENCE STOCK,
4.48% CONVERTIBLE SERIES
Dividend No. 33
28 cents per share.

PREFERENCE STOCK,
4.56% CONVERTIBLE SERIES
Dividend No. 29
28½ cents per share.

The above dividends are payable July 31, 1955, to stockholders of record July 5. *Checks will be mailed from the Company's office in Los Angeles, July 30.*

P. C. HALE, *Treasurer*

June 17, 1955

3 Giants of the Glass Industry

(*Continued from page* 420)

side in recent years, owing to the increasing financial needs of the business. Continuing growth of sales, traditional and new items; the replacing and enlarging of manufacturing facilities, and new additions have entailed large cash expenditures. The excess of earnings over dividend payments has been insufficient to provide required funds for these undertakings. Thus, long-term debt was increased to $50 million in May, 1954. It consisted of $10 million remaining of an original $15 million loan due in 1968 and a new loan of $40 million, due in 1984.

The company appears well on its way to another record year. For the 12 months ending March 31, sales amounted to $341,402,000 and net profit was $23,782,000, or $7.78 a share. This compares with sales of $330,208,000 and net of $15,157,000, equal to $4.96 a share, in the preceding 12 months.

Corning Glass Works

Corning Glass Works has had a similar pattern of growth. In the post-war period volume rose threefold, from $48,202,000 in 1945 to $149,294,000 in 1953, the all-time record. In 1954, volume was off slightly to $147,939,000. Although in the first half of 1954 sales were lower than in the first six months of 1953, volume in the third quarter moved ahead of the corresponding period of 1953 and final-quarter sales were above the year-earlier period. The uptrend is even more pronounced in 1955. For the first quarter, net sales were $37,371,000, brought down to net of $5,206,000, or 77 cents a share, against sales of $32,065,000 and net of $2,900,000, equal to 42 cents a share in the first quarter of 1954.

Corning and its affiliates make specialized glass products. Among the products of Corning are glass bulbs for lamps, radio and electronic tubes, and glass components for the TV industry (electric products division account for about 60% of sales); houseware and tableware, including heat-resistant Pyrex products (consumer division, 10% to 15% of sales); optical glass and glass for laboratory, industrial and marine use (technical division, 25% to 30%). In addition to its one-third interest in O-C, it has two other major domestic associates — Dow Corning Corp. (50% owned) is a major producer of silicones used for waterproofing electrical equipment, polishing agents and rubber compounds while Pittsburgh Corning Corp. (also 50% owned) makes insulation and glass blocks for the construction industry. Corning's share last year in the combined net earnings of these three associates was $3,765,000, against $3,128,000 in 1953.

Corning has continually improved its established position in markets for those electrical, technical and consumer products which have consistently comprised most of its business. As the marketing of color TV sets is proceeding more slowly than expected, bulbs for use in the manufacture of color TV tubes have been sold only in limited quantities. Corning should be a major beneficiary of the vast market yet to open up in that field. Basic research in glass has, for more than a half century, been of primary concern to Corning.

The common stock of Corning was split 2½ for 1 early this year and placed on a 25-cent quarterly basis. The old shares last year received 25 cents quarterly, supplemented by an extra of $2 at yearend. Working capital at the start of 1955, amounting to $41,359,000, was at the highest level in the history of the company.

Common characteristics of Owens-Illinois, Corning Glass Works and O-C that the investor will be quick to note are their long-term growth potential, their tendency to plow back earnings into the development of the business and their fortunate situation in an industry that is constantly finding new uses for its multitude of products. Typical of growth stocks, their yield is relatively low and their attraction basically is to the investor in quest of long-term capital gains. —END

Can Europe Unite?

(*Continued from page* 389)

resistance to these changes inside the Iron Curtain is sure to weaken.

On our part, we must take every opportunity to encourage this trend. In this age of the A-bomb and the H-bomb, few any longer believe that war is a practical solution of the world's great problem. At the same time, the Soviets must be convinced by now that they are close to losing the "cold war". In the new international atmosphere now emerging, therefore, one can see the first faint outlines, not only of a fundamental change in Soviet foreign policy but of domestic policy as well. With it will come a final breakdown of the Iron Curtain and the initial steps leading to the creation of a true United States of Europe. —END

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American Cyanamid Company

(*Continued from page* 414)

substantially higher net earnings. This is borne out by 1955 first quarter operations with consolidated net sales of $111.6 million, a record high for any three months' in the company's history, surpassing the 1954 first quarter by $13.4 million. Net income, after preferred dividends, in the three months to last March 31, increased to $8.8 million from $7.5 million a year earlier.

Sources of Increase

On the basis of 8,728,810 common shares outstanding in the 1955 first quarter, net earnings were equal to $1.02 a share compared with 87 cents a share for 8,722,921 shares outstanding at the end of 1954. Augmenting income from operations in both periods were income from interest and dividends of $364,697 in the 1955 quarter, and royalties, licenses and service charges of $1,536,843. Cyanamid also received $431,200 in dividends from associated companies in which it has from 49% to 50% interest. One of this group is the Jefferson Chemical Co., owned jointly with The Texas Co., on a 50-50 basis, producing chemicals, from petroleum refinery gases. Another in the group is Arizona Chemical Co., in which Cyanamid owns a 50% interest with International Paper Co., owning the remainder, producing tall oil from paper mill residue and tall oil components, the principal customers for which are the paper, soap, paint and chemical industries.

Also in this group of associated companies in which Cyanamid has a 49% interest—Pittsburgh Plate Glass Co., owning the balance of the common stock—are the Southern Petroleum Corp., and Southern Minerals Corp., the former owning interests in oil and gas properties from which it derives income, and the latter owning, leasing and operating oil and gas properties in Texas. The Southern Pipe Line Corp., owned by Cyanamid and Pittsburgh Plate Glass, owns and provides facilities for transporting oil and gas in Texas, including that produced by Southern Minerals. None of these companies are treated by Cyanamid as a subsidiary, but merely as associated companies. In addition to these interests, it also has a one-third equity in the American Synthetic Rubber Corp., which within the last couple of months completed purchase of a Government-owned synthetic rubber plant at Louisville, Ky.

Increase in Financial Strength

Paralleling Cyanamid's expansion in plant account and new products has been its increase in financial strength. Since the beginning of 1947 to the close of 1954, net working capital has grown from $53.7 million to $184.6 million, a gain of roughly 244%. Finances last year were augmented by the sale of 580,235 $100 par shares of cumulative convertible 3¾% preferred stock. At the same time long-term indebtedness was reduced by more than $6.6 million and cash and marketable securities holdings increased to $141.5 million at the end of 1954 from $106 million at the same date a year earlier.

Cyanamid has a long record of dividend payments that has been maintained without interruption over the last 22 years. At the present time, cash dividends on the common stock are at the rate of $2.00 a share annually, yielding 3.44% on the shares at current market price of 58. Of greater interest to investors are Cyanamid common's intermediate market possibilities and its potentials over the longer-term. —END

For Profit and Income

(*Continued from page* 423)

the many stocks featured by large management holdings, some have good prospects, some inferior prospects. Despite exceptions, in most cases where management stock holdings are large, the companies are of medium or small size. Among big companies, officers and directors may own a substantial amount of stock, but it can never be more than a small percentage of the huge total of outstanding shares. A few examples of this are American Telephone, General Motors, General Electric, Standard Oil (New Jersey), National Lead, Eastman Kodak. Many others could be cited. Of all factors influencing investment choice, the question of management holdings is among the least important. If you nevertheless feel more comfortable with stocks in which management holdings are relatively large, here are some suitable choices: Corning Glass Works, Firestone Tire, General Portland Cement, Grant, Heinz, Johnson & Johnson, Melville Shoe, Merck, Minnesota Mining & Mfg., Motorola, National Tea, Outboard Marine, Sun Oil, U. S. Plywood and Wrigley.

Selection

For conservative investors interested in secure dividend yields around 5% or moderately more, we can do no better than again recommend mostly issues heretofore cited in these comments, such as: Melville Shoe, Swift, Best Foods, Pacific Lighting, Union Tank Car, American Telephone, Wrigley, Seaboard Finance, Brooklyn Union Gas, Life Savers, Sunshine Biscuit and Woolworth.

International Tel. & Tel. Corp.

As a companion piece to our article, "U. S. Companies Operating Overseas", appearing in the June 11, 1955 issue of The Magazine, we presented a compilation of more than 200 U. S. industrial companies with plants and/or subsidiaries in foreign countries.

The compiler of this information inadvertently omitted from the list the *International Telephone and Telegraph Corporation.* This company, in addition to its several United States Divisions, including Federal Telecommunication Laboratories which carries on electronic research and development, manufactures communication and electronic equipment, also has associate telephone, manufacturing, sales, and laboratory companies located in:

Argentina	France
Australia	Germany
Austria	Italy
Belgium	Mexico
Bolivia	Netherlands
Brazil	New Zealand
Canada	Norway
Chile	Peru
Cuba	Portugal
Denmark	Puerto Rico
England	Spain
Finland	Sweden
Switzerland	

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Definite counsel is given on each issue in your account . . . advising retention of those most attractive for income and growth . . . preventing sale of those now thoroughly liquidated and likely to improve. We will point out unfavorable or overpriced securities and make substitute recommendations in companies with unusually promising 1955 prospects and longer term profit potentials.

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Thereafter—your securities are held under the constant observation of a trained, experienced Account Executive. Working closely with the Directing Board, he takes the initiative in advising you continuously as to the position of your holdings. *It is never necessary for you to consult us.*

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We keep in mind the tax consequences of each transaction and help you to minimize your tax liability under the new tax provisions. (Our annual fee is allowed as a deduction from your income for Federal Income Tax purposes, considerably reducing the net cost to you.)

Annual Personal Progress Reports:

Throughout the year we keep a complete record of each transaction as you follow our advice. At the end of your annual enrollment you receive our audit of the progress of your account showing just how it has grown in value and the amount of income it has produced for you.

Investment Management Service has prospered by earning the steady renewals of its clients (many have been with us 5, 10, 15 and 20 years)—through actual results that have proved our counsel to be worth many times our fee. You owe it to yourself to investigate our Service.

Full information on Investment Management Service is yours for the asking. Our rates are based on the present value of securities and cash to be supervised—so if you will let us know the present worth of your account—or send us a list of your holdings for evaluation—we shall be glad to quote an exact annual fee . . . and to answer any questions as to how our counsel can benefit you.

INVESTMENT MANAGEMENT SERVICE

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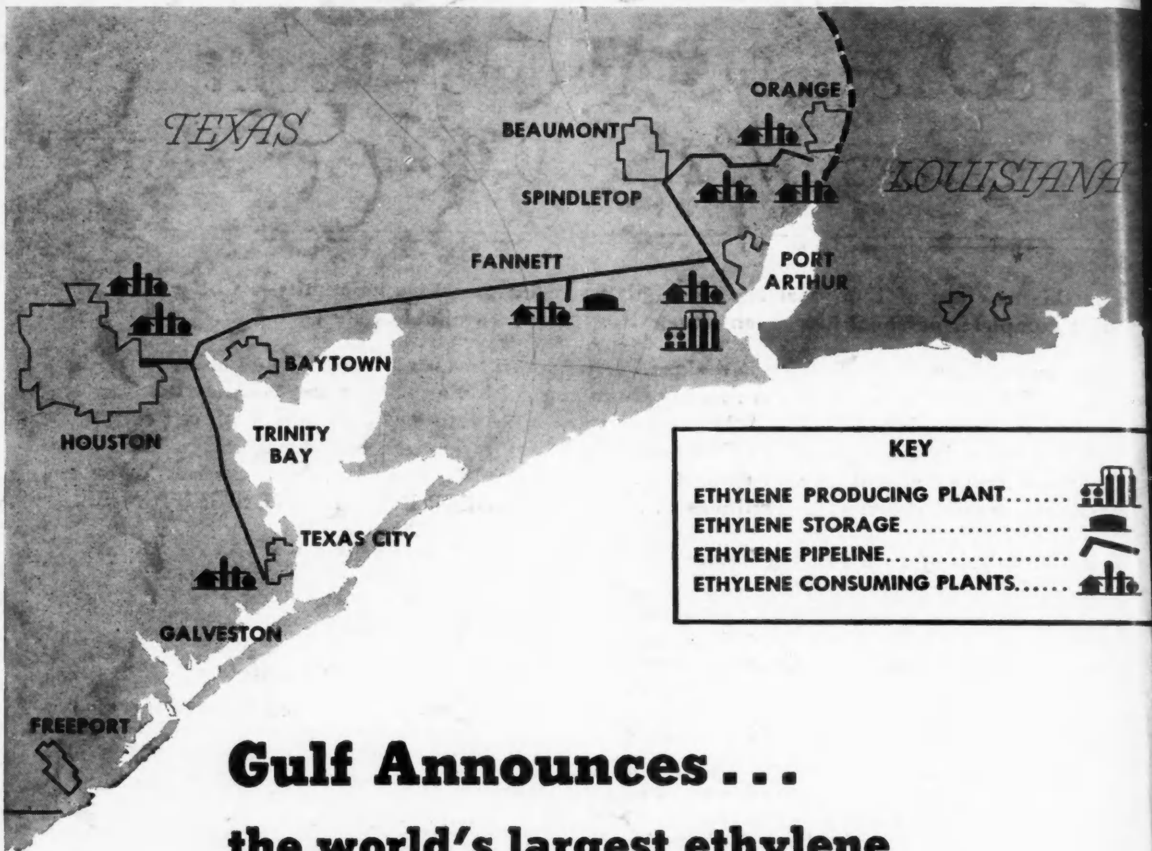

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